

(ii)

Sandhead Club
Income and Expenditure account
for the year ended December 31, 2002

		Rs.
Incomes		
Profit from bar (W-1)		6,000
Interest income		4,500
Subscription (W-2)		44,500
		55,000
Expenses		
Depreciation furniture (W-5)		120
Loss on sale of furniture ((W-5) 800 – 750)		50
Bad debt		500
Salaries		12,000
Repairs		5,000
Electricity		12,000
Miscellaneous expenses		14,000
		(43,670)
Surplus/(Deficit)		11,330

(iii)

Sandhead Club
Balance Sheet
as on December 31, 2002

		Rs.
Fund and liabilities		
Fund		
Opening fund		102,700
Transferred from life membership fund (W-6)		1,000
Surplus/(Deficit)		11,330
		115,030
Donation Fund		50,000
Life membership fund (W-6)		41,600
Current Liabilities		
Bar creditors		20,000
Total		226,630
Assets		
Non-Current Assets		
Building		100,000
Equipment		15,000
Furniture		1,080
		116,080
Government Securities		50,000
Current Assets		
Cash and bank		18,800
Interest receivable		4,500
Bar debtors		10,000
Bar stock		25,000
Subscription receivable (W-2)		2,250
		60,550
Total		226,630

WORKINGS

(W-1) Profit from bar

Revenue.
Less: COS
Op. stock
Purchases
Less: Cl. Stock
Gross profit
Less: Expenses
Profit

(40,000/80 × 100)

Rs.	Rs.
	50,000

10,000	
55,000	
(25,000)	(40,000)
	10,000
	(4,000)
	<u>6,000</u>

(W-2) Dr.	Subscription account		Cr.
op. receivable	1,500	op. Advance	1,000
l and E (as below)	44,500	Cash (bal.).	42,250
		Bad debt (5 × 100)	500
cl. advance	-	cl. Receivable (15 × 150)	2,250

Subscription income (290 members × Rs. 150) + (10 members × Rs. 100) 44,500

We have received Rs.100/member from 10 members in previous year which is current year income. In the current year subscription from remaining 290 members @ Rs.150 will also be taken to income of current year.

year.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
-------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(W-4) Dr.	Bar debtors		Cr.
op.	12,000	Bank	32,000
Sale	30,000	c/d	10,000
Cash sale = 50,000 - 30,000 = 20,000			

Cash sale— 50,000 50,000 20,000			
(W- 5)	Dr.	Furniture account	Cr.
	op.	2,000	Disposal (see below) 800
			Depreciation (see below) 120
			(2,000 – 800) × 10%
			cl. 1,080

If book value of assets after depreciation is given then we calculate depreciation charge for the year and book value of assets excluding disposals.

Depreciation for the year	(1,080/90 × 10)	120
Opening Book value of assets excluding disposals	(1,080/90 × 100)	1,200
Book value of assets disposed off	(2,000 - 1,200)	800

(W-6)	Dr.	Life membership fund a/c	Cr.
	General Fund	1,000 b/d	37,800
	c/d	41,600 Cash (4 × 1,200)	4,800

Answer-15

**Receipt and payment account
for the year ended December 31, 2002**

Receipts	Rs.	Payments	Rs.
b/d	1,000	Salaries	6,000
Building Fund	60,000	Repair	1,000
Sale of old newspaper	500	Newspaper	1,000
Fee for coaching	2,000	Printing and stationery	500
Sundries	200	Rates and taxes	1,000
Subscription	29,600	Electricity	400
(4,000+25,000+600)		Sundries	200
		Building account	50,000
		c/d	33,200

Journal entry for building donation and construction

Cash	Dr. 60,000	Cr.
Building Fund		60,000
(on receipt of specific donation for construction of asset)		
Building account	Dr. 50,000	Cr.
Cash		50,000
(On construction of building)		

Answer-16

**Kanpur Cricket club
Receipt and payment account
for the year ended March 31, 2003**

Receipts	Rs.	Payments	Rs.
b/d	16,000	Investments (12,000 – 0)	12,000
Subscription (W-1)	52,400	Buildings (W-2)	10,000
Sale of furniture	4,000	Sports equipment (W-4)	3,000
Donation	5,000	Books (W-5)	3,000
		Expenses (bal.)	32,300
		c/d	17,100

**Kanpur cricket club
Income and Expenditure account
for the year ended March 31, 2003**

Incomes		Rs.
Subscription	(W-1)	54,900
Expenses		
Expenses	(W-6)	30,300
Loss on sale of furniture	(6,000 – 4,000)	2,000
Depreciation		
- Building		4,500
- Furniture		3,400
- Sports Equipment		5,400
- Books		1,800
		(47,400)
Surplus/(Deficit)		7,500

**Kanpur Cricket club
Balance Sheet
as on March 31, 2003**

Fund and liabilities

Fund	
Opening Fund	
Donation	
Surplus/(Deficit)	
Current Liabilities	
Subscription in advance	
Outstanding expenses	

(W-7)

Rs.

174,300
5,000
7,500
186,800

1,000
1,200
2,200
189,000

Total

Assets**Non-Current Assets**

Building	
Furniture	
Sports equipment	
Books	

85,500
30,600
21,600
16,200

153,900

12,000

Investments**Current Assets**

Subscription receivable	
Prepaid expenses	
Cash	

5,000
1,000
17,100
23,100

189,000

Total

WORKINGS

(W-1)	Dr.	Subscription account		Cr.
	op. receivable	3,000	op. advance	1,500
	I and E	54,900	Cash (bal.)	52,400
	cl. advance	1,000	cl. receivable	5,000

Subscription income

Subscription income from April 2002 to September 2002 (310 members x Rs. 15x6 months)	27,900
Subscription income from October 2002 to March 2003 (300 members x Rs. 15x6 months)	27,000
	54,900

(W-2)	Dr.	Building account		Cr.
	op.	80,000	Depreciation	4,500
	Cash	10,000	cl.	85,500

(W-3)	Dr.	Furniture a/c		Cr.
	op.	40,000	Disposal	6,000
	Cash	-	Depreciation	3,400
			cl.	30,600

(W- 4)	Dr.	Sports equipment		Cr.
		24,000	Depreciation	5,400
		3,000	cl.	21,600
(W- 5)	Dr.	Books account		Cr.
		15,000	Depreciation	1,800
		3,000	cl.	16,200
(W- 6)	Dr.	Expenses		Cr.
		800	Op. Payable	3,000
		32,300	I and E (bal.)	30,300
		1,200	Cl. Prepaid	1,000
(W-7)	Opening fund			
	<u>Assets</u>			
	Building			
	Furniture			
	Sports equipment			
	Subscription receivable			
	Prepaid expenses			
	Books			
	Cash			
	<u>Liabilities</u>			
	Subscription in advance			
	Outstanding expenses			

Rs.

80,000
40,000
24,000
3,000
800
15,000
16,000
178,800

1,500

3,000

4,500

174,300

Answer-17

Woodburn Club
Receipt and payment account
for the year ended December 31, 2002

Receipts	Rs.	Payments	Rs.
b/d (bal.)	54	Salaries	700
Subscription (W-1)	840	General expenses	200
Donations	430	Fixed assets purchased (W-2)	160
		c/d	264

WORKINGS

(W- 1)	Dr.	Subscription account		Cr.
		80	op. advance	20
		800	Cash (bal.)	840
		16	cl. receivable	
			- 2001 (80-72)	8
(W- 2)	Dr.	Fixed assets account		Cr.
		1,040	Depreciation	120
		160	c/d	1,080

Boat Club
Receipt and payment account
for the year ended December 31, 2002

Receipts

b/d
Subscription (W-1)
Entrance fees
Donation
Sale of old periodicals

Rs.

18,500
39,000
10,500
12,000
500

Payments

Salaries (W-2)
General expenses
Audit fee
Printing and stationery
Interest and bank charge
Rent (W-3)
Periodicals
Travelling expenses
c/d (bal.)

Rs.

18,500
10,000
2,500
6,000
3,000
3,500
4,000
2,500
30,500

Boat Club
Balance Sheet
as on December 31, 2002

Fund and liabilities

Fund

Opening Fund
Surplus/(Deficit)

Rs.

37,000
9,000
46,000

Current Liabilities

Subscription in advance
Salaries payable

1,000
2,500
3,500

49,500

Total

Assets

Non-Current Assets

Furniture
Sports equipment

(7,500 – 1,500)

6,000
10,000
16,000

Current Assets:

Cash and bank
Subscription receivable

30,500
3,000
33,500

49,500

Total

WORKINGS

(W-1)

Dr.	Subscription account	Cr.
op. receivable	4,000	op. Advance
I and E	38,000	Cash and bank (bal.)
cl. advance	1,000	cl. receivable
		3,000

(W-2)

Dr.	Salaries	Cr.
Cash and bank (bal.)	18,500	Op.
cl.	2,500	I and E
		19,500

(W-3)

Dr.	Rent	Cr.
Cash and bank (bal.)	3,500	Op.
cl.	-	I and E
		3,000

ICAP PAST PAPER QUESTIONS**QUESTION-1**

At October 01, 1999, a club Membership subscription account showed a debit balance of Rs. 200,000 and a credit balance of Rs. 90,000. During the year ended September 30, 2000, subscription received amounted to Rs. 480,000. On the same date subscription paid in advance amounted to Rs. 85,000, and subscription in arrear and expected to be collected amounted to Rs. 50,000.

Required:

The amount to be transferred to the income and expenditure account in respect of subscriptions for the year ended September 30, 2000.

(05)

(Spring 2001)

QUESTION-2

The Mayfair Sports and Social Club's assets and liabilities for the previous and current year were as follows:

	At December 31, 2002	At December 31, 2003
	Rs.	Rs.
Equipment	125,000	140,000
Subscriptions in arrears	10,000	9,000
Subscriptions in advance	6,500	5,500
Creditors for soft drinks stock	17,500	21,500
Soft Drinks stocks	40,000	30,000
Rent owing	7,500	5,000
Electricity owing	5,250	7,000
Bank balance	36,150	65,000

During the year the cash receipts were:

Subscriptions (including Rs. 3,000 of arrears from previous year and the balance to be written off)

105,000

Soft Drinks takings

205,000

Sale of tickets for annual dinner

120,000

Sale of raffle tickets

9,000

The following payments were made during the year:

Affiliation fees

5,000

Purchase of equipment

40,000

Soft Drinks stocks

102,500

Soft Drinks salesman's wages

37,500

Catering

72,000

Hire of band

15,000

Raffle prizes

3,000

Rent of hall

75,000

Printing and postage

10,000

Electricity

29,050

Hon. Secretary's expenses

6,100

Repairs to equipment

15,000

Required: The Mayfair Sports and Social Club's

(i) Soft Drinks trading account for the year ended December 31, 2003

(03)

(ii) Income and expenditure account for the year ended Dec. 31, 2003

(07)

(iii) Balance sheet as at 31 December 2003.

(05)

(Spring 2004, Q # 4)

QUESTION-3

The treasurer of the Karachi Social Club prepared the following Receipts & Payments account for the year ended 30th September 1993:

Receipt	Rs.	Rs.	Payment	Rs.	Rs.
1992 1st Oct. Bal. b/f	1,320		1993		
Current account	2,100		Payment for bottle purchases		12,230
Deposit account	60	3,480	Rent & Rates		7,880
Cash in hand			Payment to entertainers		3,360
			Printing & stationery		1,720
			General expenses		4,490
			Bottle Stewards Wages		8,300
1993:		13,690			
Subscription		24,850	Balance c/f		
Bottle Sales		4,570	Current account	6,400	
Other sales from devices etc.		2,000	Deposit account	4,600	
Legacy from former member		420	Cash in hand	30	11,030
Bank deposit interest		49,010			49,010

The following information is made available to you:-

(a) Opening & Closing balances:

1 Oct. 1992 30 Sep. 1993

	Rs.	Rs.
Bottle Stocks	1,630	1,850
Subscription in arrears.	770	620
Subscription in advance	250	310
Creditors for bottle purchases	1,330	1,150
Rent & Rates accrued	750	820
Fidelity bond given by Steward.	200	200

(b) The bottle sales of Rs.480 on the evening of 30th September 1993 have been retained in the steward's office and are not included in the above receipts and payments accounts.

Required:

- (a) A trading account to show the Profit arising from the bottle. (06)
 (b) Income & Expenditure account of the Club for the year ended 30th September 1993, and (06)
 (c) A Balance Sheet as on that date. (08)

(May 1996, Foundation Part -1, Q # 5)

QUESTION-4

Following is the Receipts and Payments Account of Sehat Club for the year ended 30 June 2011:

Receipts and Payments Account
For the year ended 30 June 2011

Receipts	Rs.	Payments	Rs.
Opening balance	15,000	Salaries	63,500
Subscriptions	201,000	Rent	34,000
Entrance fees	63,000	Travelling expenses	1,500
Donations	38,000	Printing and stationery	1,000
Interest	16,000	General charges	2,500
Receipt on disposal of furniture	500	Periodicals	500
		Investments	200,000
		Closing balance	30,500
	333,500		333,500

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

Funds & Liabilities		Balance Sheet	
		As on 30 June 2010	
		Rs.	Assets
General Fund		172,500	Furniture – net
Liabilities:			
Rent		11,000	Sports equipments – net
Salaries		17,500	Investments
			Subscription receivable
			Interest receivables
			Bank balance
		201,000	

Other details for the year ended 30 June 2011 are as follows:

- Furniture purchased on 1 July 2009 costing Rs. 4,000 was disposed off on 1 January 2011 at a scrap value of Rs. 500.
- On 1 July 2010, furniture having written down value of Rs. 6,000 was traded-in with new furniture having fair value of Rs. 6,700.
- Depreciation is charged on diminishing balance basis at 20% on furniture and 15% on sports equipments.
- Sports equipments worth Rs. 12,000 were received at year end as donation.
- Following amounts are receivable / outstanding as at 30 June 2011:

	Rs.
Subscription receivable	8,000
Entrance fee receivable	3,000
Salaries outstanding	4,000
Rent outstanding	2,000

Required:

Prepare an income and expenditure account of Sehat Club for the year ended 30 June 2011 and its statement of financial position.

(18)

(Autumn 2011, Q # 5)

QUESTION-5

The following balances have been obtained from the books of Gulshan Cricket Club:

	June 30, 2007	June 30, 2008
Building	6,024,000	6,438,150
Furniture	3,012,000	2,710,800
Books	1,129,500	1,246,950
Sports equipments	1,807,200	1,595,200
Investments	-	436,000
Advance subscription	86,000	92,000
Prepaid expenses	122,000	176,000
Expenses payable	186,900	207,600
Subscriptions receivable	326,000	357,000
Cash	1,204,800	1,586,500

The following information is also available in respect of the year ended June 30, 2008.

- Depreciation for the year has been credited directly to the asset accounts. The rates of depreciation are as follows:

Building	5%
Furniture and books	10%
Sports equipments	20%
- The club had 600 members on June 30, 2008. No fresh members were admitted during the year but 10 members left the club on January 1, 2008. Subscription per member is Rs. 500 per month.

Required:

- Summary of receipts and payments made during the year ended June 30, 2008.
- Income and Expenditure Account for the year ended June 30, 2008.

(20)

(Autumn 2008, Q # 4)

QUESTION-6

The following information available from the records of ABC Sports Association for the year ended June 30, 2002:

	Rs.
Subscription received	250,000
Upkeep of play ground	30,000
Entrance fees received	80,000
Rent paid	12,000
Salaries and wages	32,000
Travelling expenses	9,000
Stock of equipment on July 1, 2001	90,000
Tournament expenses	14,000
Printing and stationery	30,000
General expenses	60,000
Tournament fees received	25,000
Tournament prizes awarded	7,000
Donations received	110,000
Stock of refreshments on July 1, 2001	5,400
Purchases of canteen stores and refreshments	84,600
Cash and bank balances	470,000
General fund	300,000
Subscription arrears	180,000
Creditors for expenses	33,000

(a) Subscription in arrears as on June 30, 2002 were as follows:

For 1999-2000	20,000
For 2000-2001	30,000
For 2001-2002	130,000

During the year, arrear subscription totaling Rs. 90,000 relating to earlier periods has been collected.

(b) Donations of Rs. 110,000 include Rs. 40,000 received on tournament account.

(c) 25 percent of the entrance fees has to be capitalized.

(d) Stock of refreshments as on June 30, 2002 was as under:

	Rs.
Value of provisions, stores, etc.	20,000
Value of eatables and perishables	5,000
Value of mineral water bottles, cigarettes etc.	3,000

(e) Separate funds and books of account are maintained for tournaments and separate profit is to be calculated for tournament. The Management Committee decided to value the items as follows:

- To value provisions and stores at cost.
- The stock of perishables and eatables on the basis of realized sale proceeds on the subsequent day to the closing of accounts. Sales of eatables and perishables on July 1, 2002 amount to Rs. 2,750.
- Mineral water bottles and cigarettes are to be valued at 80 percent of their purchase price.
- A bill for the brochure brought out for the tournament is pending settlement and is for Rs. 12,000.
- Depreciation charge at the rate of 15% on net book value.

Required:

Prepare income and expenditure account for ABC Sports Association only for the year ended June 30, 2002.

(18)

(Spring 2003, Q # 5)

QUESTION-7

The accountant of Executive Club has resigned and Mr. Imdad has been assigned the task of preparing the accounts for the year ended December 31, 2006. On taking charge, Mr. Imdad found that the books had not been written since January. After searching the available records and discussing various issues with members of the management committee, he was able to gather the following information:

1. A member of management committee controls the receipts relating to snooker table charges, which totaled Rs. 3,225,000.
2. Members' subscriptions amounting to Rs. 3,650,000 were received during the year. Of these, Rs. 75,000 relate to the year 2007.
3. Rs. 3,000,000 had been donated for a new building and this sum is to be credited to Building Reserve account.
4. The club provides catering services on which a profit margin of 20% of sales is earned. Stocks and purchases relate to these services.
5. The carrying value of snooker tables as at January 1, 2006 was Rs. 4,900,000. The cost of the tables was Rs. 9,000,000. Tables acquired during the year were installed on December 31, 2006. 10 percent deposit on the newly acquired tables was paid on November 1, 2006. Balance is payable in January 2007. The expected life of each table is six years with nil scrap value.
6. A summary of the bank account for the year showed the following:

	Rs.		Rs.
Balance at Jan. 1, 2006	198,500	Insurance	90,000
Bank deposits (comprising of receipts from snooker table charges, subscriptions, donation and catering services)	26,160,500	Rent and rates	1,480,000
		Electricity	735,000
		Purchases	18,155,000
		Communications	92,500
		Withdrawals	4,232,500
		10% deposit on new snooker tables	130,000
		Balance at Dec. 31, 2006	1,444,000
	<u>26,359,000</u>		<u>26,359,000</u>

7. A summary of expenditure paid from petty cash is as follows:

	Rs.
Glasses and crockery	430,000
Wages	1,975,000
Sundry club expenses	290,000
Repairs to snooker equipment	510,000

8. Mr. Imdad was also able to ascertain the following balances as at December 31:

	2006 Rupees	2005 Rupees
Prepaid rent	150,000	125,000
Electricity bills payable	155,000	120,000
Suppliers balances	2,330,000	1,430,000
Stocks	2,995,000	1,940,000
Stocks of crockery	550,000	685,000

9. The club has a fidelity insurance policy and any cash deficiency up to a maximum of Rs. 1,000,000 is recoverable under the policy.

Required:

- (a) An income and expenditure account for the year ended December 31, 2006 showing separately, the results relating to catering services. (19)
- (b) A balance sheet as at December 31, 2006. (07)

(Spring 2007, Q# 4)

QUESTION-8

The treasurer of a golf club has produced the following receipts and payments account for the year ended 31 December 2012:

Receipts	Rs.	Payments	Rs.
Balance at 1 January 2012	157,800	Canteen payments	213,000
Subscriptions	654,900	Wages & salaries – clubhouse	284,000
Canteen receipts	331,400	Wages & salaries – canteen	78,900
Golf course fees	284,000	Course repairs	149,900
Events receipts	86,800	Insurance	72,000
Competition fees	46,600	Electricity	47,300
Course equipment sold	19,800	Telephone	19,700
		Events expenses	47,300
		Sundry expenses	15,000
		Competition expenses	12,600
		Balance at 31 December 2012	641,600
	1,581,300		1,581,300

(i) Opening and closing balances of current assets and liabilities are as follows:

1 January 2012 31 December 2012

-----Amount in Rupees-----

Canteen trade payables	71,000	55,200
Canteen inventory	60,000	39,500
Subscriptions in arrears	15,800	27,600
Subscriptions in advance	55,200	35,500
Telephone due	3,900	5,900
Competition expenses due	3,200	3,900

(ii) Fixed assets balances at 1 January 2012, and the applicable depreciation rates are as follows:

	Cost	Accumulated Depreciation	Rate of dep. on cost
	-----Amount in Rupees-----		
Clubhouse and course	3,156,000	214,600	5%
Fixtures and fittings	552,000	166,000	10%
Course equipment	1,262,000	542,000	20%

- (iii) The value of clubhouse and course comprises of freehold land and buildings in the ratio of 60:40.
- (iv) Course equipment costing Rs. 55,000 was disposed of during the year for Rs. 19,800. The equipment had been purchased on 1 January 2008. No depreciation is charged in the year of sale.
- (v) The insurance premium paid during the year covers the period 1 October 2012 to 30 September 2013. The premium for the previous year amounted to Rs. 48,000.
- (vi) The canteen manager is entitled to a bonus equal to 20% of canteen profits after charging his bonus.
- (vii) NRV of the opening canteen inventory was Rs. 55,200.

Required:

- (a) A Canteen Trading Account for the year ended 31 December 2012. (04)
- (b) An Income & Expenditure Account for the year ended 31 December 2012 and a balance sheet of the club as at that date. Results of canteen, competition and events should be shown separately as a line item. (20)

(Spring 2013, Q#2)

QUESTION-9

Seaview Club started its operations on 1 February 2015. Sponsor of the club contributed Rs.50 million towards general fund for the start of operations and placed the amount in the bank. Following is the receipts and payments summary for the period from 1 February 2015 to 31 December 2015.

Receipts	Rs. in '000	Payments	Rs. in '000
Sponsor's contribution	50,000	Furniture & fixtures	1,200
Joining fees	20,800	Van	1,500
Subscription from members	29,952	Salaries	1,000
Sale of beverages	1,500	Rent	3,600
		Utilities	570
		Insurance	120
		Repairs and maintenance	275
		Payments for purchase of beverages	1,367
		Advance for plot	65,000
		Balance	27,620
	<u>102,252</u>		<u>102,252</u>

Additional information:

- (i) The joining fee for award of membership is Rs.50,000. Annual subscription is Rs. 24,000. All new members pay three years' subscription in advance. The memberships were awarded as follows:
- | Month | March | June | September | December |
|----------------|-------|------|-----------|----------|
| No. of members | 112 | 98 | 101 | 105 |
- (ii) All sales of beverages are billed in the first week of the next month and the payment is received in the same month. Sale of beverages during December 2015 amounted to Rs.150,000.
- (iii) Purchases made during the year of beverages amounted to Rs. 1,760. 25% of total purchases of beverages made during the year remained unsold at year-end.
- (iv) Salaries are paid on the first day of next month. The amount of salaries includes an advance amounting to Rs. 10,000 paid to an employee on 1 December 2015. The advance is repayable on 1 February 2016.
- (v) Rent for three years was paid in advance on 1 February 2015.
- (vi) Presently the club is operating on rental premises. However, a plot of land has been purchased on which construction would commence shortly. Title of land would be transferred after completion of legal formalities.
- (vii) Payments for utilities include security deposit paid to utility companies amounting to Rs.20,000. Utility bills are paid on the 7th day of the next month.
- (viii) Insurance premium was paid on 1 February 2015 covering a period of 12 months.
- (ix) Repairs and maintenance include an advance of Rs.100,000 paid to contractor for construction of a parking shed. Repair bills amounting to Rs.7,000 were outstanding at year-end.
- (x) Furniture & fixtures and van were purchased on 1 February 2015. Depreciation on these assets is to be charged at 10% and 20% respectively.

Required

Prepaid statement of financial position as at 31 December 2015 and income & expenditure account of Seaview Club for the period ended 31 December 2015.

(20)

(Spring-16 Q.1 CAF-05)

QUESTION-10

- The Old Citizen Association furnished the following information for the year ended December 31, 2004:
- (1) They started the year with Rs. 37,600 in the bank and ended with an overdraft of Rs. 45,600, which was secured by the deposit of investments with the bank.
 - (2) They received subscriptions amounting to Rs. 66,800 out of which Rs. 2,000 were arrears, Rs. 60,800 and Rs. 4,000 represented current subscriptions and advance respectively.
 - (3) They received Rs. 41,600 donations for the General Fund. Rs. 68,000 donations were received for Medical Aid Fund out of which Rs. 57,600 was paid.
 - (4) Government securities at January 1, amounted to Rs. 160,000. Half of these were sold for Rs. 100,000. These investments produced interest of Rs. 2,800 during the year.
 - (5) Office premises were purchased on December 31, 2004 for Rs. 240,000 and a mortgage was arranged through a bank for Rs. 120,000. Legal expenses amounted to Rs. 8,400. One installment of Rs. 6,400 was paid to the bank of which Rs. 3,600 was interest. Alterations and decorations of the premises amounted to Rs. 45,600 of which Rs. 12,000 was still owing.
 - (6) Office furniture was valued at Rs. 12,000 at January 1, 2004 Rs. 13,600 was paid for additions on January 1, 2004 and Rs. 5,600 was still owing. Depreciation is estimated at 10 per cent per annum.
 - (7) Other payments were:

	Rs.
Office Salaries	28,000
Rent and rates	13,600 (Rs. 4,000 was payable on December 31, 2003)
Stationery and postage	12,000
Other expenses	69,200 (of which Rs. 6,400 related to next year)

Required:

- (a) Prepare accounting entry for above transaction
- (b) Prepare balance sheet
- (c) Receipt and Payment Account for the year ended December 31, 2004. (09)
- (d) Income and Expenditure Account for the year ended December 31, 2004. (10)

(Spring 2005, Q # 5)

QUESTION-11

The Accountant of Gharia Charitable Hospital has prepared following Receipts & Payment Account for the year ended on December 31, 1999:

Receipt & Payment Account
For the year ended on December 31, 1999

Receipts	Rs.	Payment	Rs.
Cash at bank and in hand	27,342	Medicines	49,131
OPD charges	59,673	X-Rays Film	25,000
X-Rays charges	40,440	Laboratory supplies	8,517
Laboratory charges	24,867	Consultant fees	156,500
In-patient billings	567,230	Salaries	298,450
Donations	345,200	Electricity	324,710
		Cleaning & general	38,549
		Stationery & supplies	19,825
		Repairs & maintenance	25,221
		Telephone charges	31,750
		Equipment	54,000
		Cash at bank and in hand	33,099
	<u>1,064,752</u>		<u>1,064,752</u>

Following additional information is available:

a) Position of certain assets and liabilities as at December 31, 1999 and 1998 was as under:

	1999	1998
Salaries due	22,520	26,780
X-Rays charges	2,780	1,600
In-patient billings	57,920	27,270
Laboratory charges	2,100	1,900
Stock of medicines	7,450	6,230
Stock of Laboratory supplies & X-Rays Films	3,980	4,170
Electricity bill due	30,100	24,200
Telephone bill due	2,720	2,100
Cleaning & General due	3,710	2,400
Consultants fees payable	15,500	12,000
Equipment	614,000	560,000
Furniture	100,000	100,000
Creditors for:		
- medicines	4,500	4,000
- x-rays films	3,500	4,000
- lab supplies	1,300	1,200

(b) Both furniture and equipment as at December 31, 1998 were purchased in 1997 when hospital started its operations.

(c) It is hospital's policy to charge depreciation @ 10% p.a.

Required:

You are required to prepare:

(a) Income & Expenditure Account for the year ended on December 31, 1999 and

(b) Balance Sheet as at that date.

(23)

QUESTION-12

The accountant of Leisure Club was terminated on account of charges of fraud on 31 December 2016 and Mr. Emad has been appointed in his place. Emad has gathered the following information in respect of the year ended 31 December 2016:

(i) The club has 3,300 members and the membership fee is Rs. 10,000 per annum. The fee payable by each member becomes due on the first day of the quarter in which he became a member. The fee received in each quarter was as follows:

Quarter	First	Second	Third	Fourth	Total
Subscription received (Rs.)	9,900,000	8,250,000	5,500,000	9,350,000	33,000,000

Last year the fee was Rs. 9,000 per annum. However, the number of members was the same.

(ii) A summary of the bank account for the year is shown below:

Deposits	Rs.	Withdrawals	Rs.
Balance as at 1 Jan. 2016	3,700,500	Insurance	175,000
Cash deposited into bank	37,848,500	Rent and rates	4,200,000
Written off amount recovered	1,860,000	Utilities	4,365,000
Disposal of fixed assets	750,000	Freehold land purchased	17,000,000
Members subscription received	19,800,000	Cash withdrawals from bank	6,120,000
directly in bank account		Payment to creditors	18,155,000
		Repairs and maintenance	700,000
		Exercise equipment	7,350,000
		Balance as at 31 Dec. 2016	5,894,000
	63,959,000		63,959,000

(iii) Amounts paid from petty cash were as follows:

	Rs.
Salaries	2,300,000
Sundry expenses	640,000

- (iv) The club has a tuck shop which earns a profit margin of 20% of sales. All sales of tuck shop are made on cash. During the year, stock costing Rs. 500,000 was destroyed by fire.
- (v) The opening WDV of fixed assets was Rs. 28,000,000. Exercise equipment was purchased on 1 October 2016. Fixed assets having opening WDV of Rs. 800,000 were disposed off on 31 March 2016. Fixed assets are depreciated @ 20% under the reducing balance method.
- (vi) The opening and closing balances of cash in hand were Rs. 300,000 and Rs. 25,000 respectively.
- (vii) The following balances have been extracted through a scrutiny of the available records:

	2016	2015
	-----Rupees-----	
Creditors	3,330,000	2,500,000
Prepaid rent	175,000	168,000
Stock- tuck shop	2,500,000	2,300,000

Required:

- (a) Determine the amount of loss incurred by the club due to fraud committed by the previous accountant. (09)
- (b) An income and expenditure account for the year ended 31 December 2016. (05)
- (c) Statement of financial position as at 31 December 2016. (06)

(Spring 2017, Q # 1)

QUESTION-13

Violin Family Club was formed in 2016. Following are the details of assets and liabilities of the club as on 31 December 2017:

Assets	Rs. in '000'	Liabilities	Rs. in '000'
Subscription in arrears:		Bank overdraft	181
2016	15	Subscription in advance for 2018	45
2017	90	Accrued electricity	23
Advance rent	24	Canteen wages	11
Canteen stock	215	Canteen creditors	118
Snooker tables	960		
Furniture & equipment	720		
	2,024		378

Additional information:

- (i) Some of the balances as on 31 December 2018 are as follows:

Assets	Rs. in '000'	Liabilities	Rs. in '000'
Subscription in arrears for 2018	30	Accrued electricity	35
Canteen stock	247	Canteen creditors	142

- (ii) Break-up of the subscription received during 2018 is as follows:

Related to year	Rs. in '000'
2017	60
2018	920
2019	75

The club's management has decided to write-off the remaining subscription in arrears relating to the year 2016 and 2017.

aminations
June 29, 2022
June - 10 marks
July - 5 minutes
time - 5 minutes

arachi and Lahore
ended 31 December

2010
2011
Rs. in million
7,833
10,340
4,508
6,945
number 2010, 2011 and 2012
5,090 million respectively
to repair machinery purchased on
at machinery purchased on the
to repair machinery purchased on the
rate of 20% per annum on the
rate of 20% per annum on the
rate of 20% per annum on the

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

- (iii) A scheme was introduced in 2016 under which a person is awarded life time membership upon payment of Rs. 120,000. Life memberships received in the years 2016, 2017 and 2018 were 5, 8 and 6 respectively. Life memberships are credited to 'Life Membership Fund' upon receipt and are transferred to income equally over 10 years, starting from the year of admission.
- (iv) The club operates a canteen. Till last year, the canteen earned a gross profit of 20% of sales. Effective 1 January 2018, selling prices were increased by 10%.
- (v) Details of some payments during 2018 are as follows:

	Rs. in '000'
Canteen creditors	512
Salaries	285
Equipment	66
Electricity	263

- (vi) Equipment acquired during the year is only 30% paid and the remaining amount is payable in February 2019.
- (vii) Wages of canteen staff are paid on 5th of each month.
- (viii) The club operates from a rented place. The rent is paid quarterly in advance on 1 March, 1 June, 1 September and 1 December. As per agreement, annual rent was increased by Rs. 6,000 with effect from 1 September 2018.
- (ix) Balance of snooker tables as at 31 December 2017 represents the book value of 5 similar tables purchased in 2016. One of the tables was sold to a member for cash during the year for Rs.212,000.
- (x) Snooker tables are depreciated at 12.5% on straight line method while furniture & equipment are depreciated at 20% using reducing balance method. Full year depreciation is charged in the year of addition whereas no depreciation is charged in the year of disposal.

Required:

- (a) Prepare income and expenditure account for the year ended 31 December 2018 (12)
- (b) Prepare statement of financial position as on 31 December 2018 (09)

(Spring 2019, Q # 6)

QUESTION-14

Following is the trial balance of Chongtar International Hospital as on 31 December 2019:

	Debit	Credit
	— Rs. in 'million —	
Burns ward - capital work in progress	55.3	
Cafeteria sales		24.4
Cash and bank balances	8.4	
Donations for burns ward		75.1
Expenses and gifts for 'walk on diabetes day'	2.6	
Fees from patients		125.0
General donations		82.6
General fund		195.6
Inventory - cafeteria	4.7	
Inventory - medicines	19.4	
Inventory - hospital supplies	8.5	
Medical equipment	185.4	64.2
Miscellaneous expenses	8.5	
865		

Other fixed assets		
Payables		
Purchases - cafeteria	110.7	54.7
Purchases - medicines		38.9
Purchases - hospital supplies	16.4	
Receivables - panel corporate	60.5	
Rent	18.7	
Sponsorship for 'walk on diabetes day'	31.4	
Salaries - administrative staff	19.6	
Salaries - doctors and nursing staff		
Short term investments	24.0	2.2
Utilities	38.2	
	38.0	
	12.4	
	<u>662.7</u>	<u>662.7</u>

Additional information:

- Cost of closing physical inventory of medicines and hospital supplies was Rs.25.8 million and Rs.13.8 million respectively. Medicines costing Rs.3.1 million were found expired. Medicines are only used to treat the admitted patients and are not sold separately.
- Year-end physical count of cafeteria inventory could not take place. Goods are sold in cafeteria at a gross margin of 25% on sales.
- Rent outstanding at year-end was Rs.1.4 million.
- 15% of salaries and 10% of rent are related to cafeteria.
- Hospital facilities of Rs.48.6 million were provided free of charge to the patients.
- 'Walk on diabetes day' was organised in December 2019. Expenses relating to the event amounting to Rs.1.2 million were outstanding and unrecorded at year end.
- Medical equipment having fair value of Rs.36.8 million were received as donation. These have been brought into use but have not been recorded in the books.
- Depreciation is charged on reducing balance method at 15% per annum.

Required:

- Prepare income and expenditure account for the year ended 31 December 2019 (12)
- Prepare statement of financial position as on 31 December 2019 (06)

(Spring 2020 Q.05)

QUESTION-15

A fire broke out in the office of Moderna Sports Club (MSC) and burnt all the accounting records. The accountant was able to retrieve a burnt copy of financial statements of MSC for the year ended 31 December 2020. However, few information (as indicated by capital alphabets) were unreadable. The retrieved copy is as follows:

Balance sheet as on 31 December 2020

Funds and liabilities	Rs. in '000		Assets	Rs. in '000	
	2020	2019		2020	2019
General fund:			Fixed assets - net	1,403	1,300
Opening balance	A	1,586	Members' subscription	270	158
Excess of income over expenditure	B	C	Misc. supplies	13	10
			Tuck-shop rent	E	37
Tennis court fund	260	200	Advance salaries	18	15
			Bank	F	530
Liabilities:					
Members' subscription	20	25			
Salaries	52	41			
Utilities	25	D			
Annual sports event	10	-			

Income and expenditure account for the year ended 31 December 2020

Expenditure	Rs. in '000	Income	Rs. in '000
Salaries	G	Members' subscriptions	919
Utilities	221	Tuck-shop rent	252
Misc. supplies	H	Donation - sports equipment	70
Members' subscription written off	12	L	M
Annual sports event	I		
J	K		
Disposal of fixed assets	8		
Repair and maintenance	40		
Excess of income over expenditure	B		

Receipts and payments account for the year ended 31 December 2020

Receipts	Rs. in '000	Payments	Rs. in '000
Opening balance	530	Salaries	560
N	O	Fixed assets	92
Tennis court fund	P	Annual sports event	180
Contribution for annual sports event	49	Misc. supplies	132
Entrance fee - annual sports event	86	Utilities	214
Sale of fixed assets	21	Repair and maintenance	Q
Tuck-shop rent	248	Construction of tennis court	131
Scrap sale	15	Closing balance	F

Required:

Determine the missing information as indicated by capital alphabets.

(Redrafting of above financial statements is not required)

(18)(Spring 2021 Q.05)

QUESTION-16

The accountant of Cereus Golf Club (CGC) was terminated on charges of fraud and you have been assigned the task of preparing the accounts for the year ended 31 December 2020. You have found that the proper books had not been maintained. The management of CGC has given you the following information:

- (i) Cash and bank balances at 1 January 2020 amounted to Rs. 0.5 million and Rs. 2 million respectively. However, as on 31 December 2020, there was no cash balance and Rs. 4.2 million in the bank.
- (ii) The members are required to pay 3 years' subscription in advance upon admission renewal. Full year subscription is charged from members joining during the year. Number of subscriptions received are as under:

Year	No. of memberships	3 years' subscription per member
2018	100	Rs. 60,000
2019	140	Rs. 75,000
2020	160	Rs. 90,000

During 2020, 10 members were awarded membership on special permission but they had not paid the subscription till year-end.

After year-end, 5 more members informed that they had paid the 3 years' subscription amount in 2020. It was found out that the amount was misappropriated by the accountant.

- (iii) CGC had received a donation of Rs. 8 million in 2019 to meet the repair and maintenance expenditure of its golf course. Out of total donation, the club has spent Rs. 2.2 million and Rs. 2.8 million in 2019 and 2020 respectively.
- (iv) CGC started purchasing golf kits in 2020 for sales as well as for rent purposes. 20% of the purchases were unpaid at year-end. Two third of the golf kit purchases made in 2020 had been added to inventory of golf kits for sale and remaining had been added directly to golf kits for rent.
- (v) Golf kits are sold for cash at cost plus 40%. Cost of closing inventory of golf kits for sale amounted to Rs. 1 million. It was decided to transfer half of these kits into golf kits for rent at 30% of their original cost.
- (vi) Some of the receipts and payments during the year were as follows:

	Rupees
Rent of golf kits	650,000
Golf kits purchases	4,800,000
Annual insurance (paid till April 2021)	660,000
Salaries (including Rs. 350,000 for 2019)	2,800,000
Other expenses	2,320,000

- (vii) CGC has a fidelity insurance policy and any cash deficiency upto a maximum of Rs. 2 million is recoverable under the policy.
- (viii) Fixed assets at 1 January 2020 had a book value of Rs. 25 million. All fixed assets are to be depreciated at 15% per annum.

Required:

- (a) Prepare income and expenditure account for the year ended 31 December 2020. (11)
- (b) Prepare statement of financial position as on 31 December 2020. (09)

Examinations
9) June 29, 2022
marks - 10 marks
time - 5 minutes

Carachi and Lahore
ended 31 December

2010 2011
Rs. in million 7,833 4,508
10,340 6,945
number 2010, 2011 and 2012
5,090 million respectively.
at machinery purchased on
to repair instead of property,
rate of 20% per annum on the
effect of this material error
as follows:

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

ICAP PAST PAPER SOLUTIONS

Answer-1

Amount to be transferred to income and expenditure account is (W-1) Rs. 335,000.

(W-1)		Subscription account	Cr.
Dr.			
op. receivable	200,000	op. advance	90,000
l and E (bal.)	335,000	Cash	480,000
cl. advance	85,000	cl. receivable	50,000
	<u>620,000</u>		<u>620,000</u>

Answer-2

(i) Profit from soft drinks

	Rs.	Rs.
Revenue		205,000
Less: COS		
Op. stock	40,000	
Purchases	106,500	
Wages	37,500	
Less: Cl. Stock	(30,000)	(154,000)
Profit		<u>51,000</u>

(ii)

Mayfair Sports and Social Club Income and Expenditure account for the year ended December 31, 2003

Incomes

	Rs.
Profit from soft drinks	51,000
Sale of tickets for annual dinner	120,000
Profit of raffle	6,000
Subscription (W-2)	112,000
	<u>289,000</u>

Expenses

	Rs.
Affiliation fees	5,000
Catering	72,000
Hire of band	15,000
Rent of hall (W-5)	72,500
Printing and postage	10,000
Electricity (W-6)	30,800
Hon. Secretary expenses	6,100
Repairs to equipment	15,000
Bad debt (W-2.1)	7,000
Depreciation (W-4)	25,000
	<u>(258,400)</u>
Surplus/ (deficit)	<u>30,600</u>

(iii)

Mayfair Sports and Social Club
Balance Sheet
as on December 31, 2003

Fund and liabilities**Fund**

Opening Fund
 Surplus/(Deficit)

(W-1)

Rs.

174,400
30,600
205,000

Current Liabilities

Subscription in advance
 Creditors for soft drinks
 Rent owing
 Electricity owing.

5,500
21,500
5,000
7,000
39,000

244,000

Total

Assets**Non-Current Assets**

Equipment

140,000

Current Assets

Soft drinks stocks
 Subscription in arrears
 Bank

30,000
9,000
65,000
104,000

244,000

Total

WORKINGS**(W-1) Opening fund****Assets**

Equipment
 Soft drinks stocks
 Subscription in arrears
 Bank

125,000
40,000
10,000
36,150
211,150

Liabilities

Subscription in advance
 Creditors for soft drinks
 Rent owing
 Electricity owing

6,500
17,500
7,500
5,250

(36,750)**174,400**

Opening Fund

(W-2) Dr.**Subscription account****Cr.**

op. receivable
 1 and E (bal.)
 cl. advance

10,000
112,000
5,500
127,500

op. advance	6,500
Cash and bank	105,000
Bad debt (W-2.1)	7,000
cl. receivable	9,000
	127,500

(W-2.1) Opening receivable			Rs.
Less: Received during the year			10,000
Bad debt			(3,000)
			<u>7,000</u>
(W-3)	Dr.	Creditors for soft drinks	Cr.
	Cash and bank	102,500	op.
	cl.	21,500	Purchases (bal.)
		<u>124,000</u>	<u>106,500</u>
			<u>124,000</u>
(W-4)	Dr.	Equipment	Cr.
	op.	125,000	Depreciation (bal.)
	Cash and bank	40,000	c/d
		<u>165,000</u>	<u>140,000</u>
			<u>165,000</u>
(W-5)	Dr.	Rent	Cr.
	Cash and bank	75,000	op.
	cl.	5,000	I and E (bal.)
		<u>80,000</u>	<u>72,500</u>
			<u>80,000</u>
(W-6)	Dr.	Electricity	Cr.
	Cash and bank	29,050	op.
	cl.	7,000	I and E (bal.)
		<u>36,050</u>	<u>30,800</u>
			<u>36,050</u>

Answer- 3**Profit from Bottles**

Bottles sales	(24,850 + 480)	Rs.
Less: COS		25,330
Op. stock		
Purchases	(W-3)	1,630
Wages		12,050
Less: Cl. Stock		8,300
Profit		<u>(1,850)</u>
		<u>5,200</u>

As Rs. 480 is with steward so we will debit the Cash and credit the Sale.

b)

Karachi Social Club
Income and Expenditure account
for the year ended September 30, 1993

Incomes

Profit from bottles	(part-a)	Rs.
Subscription	(W-2)	5,200
Other sales from devices		13,480
Interest on bank deposit		4,570
		<u>420</u>
		<u>23,670</u>

Expenses

Rent and rates	(W-4)	Rs.
Entertainers expense		7,950
Printing and stationery		3,360
General expenses		1,720
		<u>4,490</u>
		<u>(17,520)</u>
		<u>6,150</u>

Surplus/ (deficit)

Karachi Social Club
Balance Sheet
as on September 30, 1993

Fund and liabilities

Fund
 Opening Fund
 Surplus/(Deficit)

((W-1) 3,350 + 2,000)

Rs.

5,350
6,150
11,500

Current Liabilities

Subscription in advance
 Creditors for bottles purchases
 Rent and rates accrued
 Fidelity bond given by steward

310
1,150
820
200
2,480
13,980

Total

Assets**Current Assets**

Bottles stocks
 Subscription in arrears
 Current account
 Deposit account
 Cash

(30 + 480)

1,850
620
6,400
4,600
510
13,980
13,980

Total

WORKINGS**(W-1) Opening fund****Assets**

Bottles stocks
 Subscription in arrears
 Current account
 Deposit account
 Cash

Rs.

1,630
770
1,320
2,100
60
5,880

Liabilities

Subscription in advance
 Creditors for bottles purchases
 Rent and rates accrued
 Fidelity bond given by steward

250
1,330
750
200
(2,530)
3,350

(W-2) Dr.**Subscription account****Cr**

op. receivable 770 op. advance 250
 l and E (bal.) 13,480 Cash and bank 13,690
 cl. advance 310 cl. receivable 620
 14,560 14,560

(W-3) Dr.**Creditors-Bottles purchases****Cr**

Cash and bank 12,230 op. 1,330
 cl. 1,150 Purchases (bal) 12,050
 13,380 13,380

(W-4) Dr.		Rent and rates		Cr.
Cash and bank		7,880	op	750
cl.		820	I and E (bal.)	7,950
		<u>8,700</u>		<u>8,700</u>

Answer-4

Sehat Club
Income and Expenditure account
for the year ended June 30, 2011

<u>Incomes</u>			Rs.
Subscription	(W-1)		194,000
Entrance fees	(W-2)		66,000
Donations	(38,000 + 12,000)		50,000
Interest	(W-3)		5,000
Gain on exchange of asset	(W-7)		700
			<u>315,700</u>
<u>Expenses</u>			
Salaries	(W-10)		50,000
Rent	(W-11)		25,000
Travelling expense			1,500
Printing and stationery			1,000
General charges			2,500
Periodicals			500
Depreciation – sports equipment	(20,000 × 15%)		3,000
Depreciation – furniture	(W-9)		7,820
Loss on disposal of asset	(W-6)		2,380
			<u>(93,700)</u>
Surplus			<u>222,000</u>

Sehat Club
Balance Sheet
As on June 30, 2011

<u>Fund and liabilities</u>		Rs.
<u>Fund:</u>		
Opening Fund		172,500
Surplus/(Deficit)		222,000
		<u>394,500</u>
<u>Current liabilities:</u>		
Salaries outstanding		4,000
Rent outstanding		2,000
		<u>6,000</u>
Total		<u>400,500</u>
<u>Assets</u>		
<u>Non-Current Assets:</u>		
Sports equipment	(W-4)	29,000
Furniture	(W-5)	30,000
		<u>59,000</u>
Investments	(100,000 + 200,000)	300,000

Current Assets:

Bank
Subscription receivable
Entrance fee receivable

30,500
8,000
3,000
41,500
<u>400,500</u>

Total
WORKINGS

(W-1)	Dr.	Subscription account	Cr.
	Op. receivable	15,000	Cash and bank
	I and E (bal.)	194,000	cl. receivable
(W-2)	Dr.	Entrance fee account	Cr.
	Op. receivable	-	Cash and bank
	I and E (bal.)	66,000	cl. receivable
(W-3)	Dr.	Interest income	Cr.
	Op.	11,000	Cash and bank
	I and E (bal.)	5,000	cl.
(W-4)	Dr.	Sports equipment	Cr.
	Op.	20,000	Depreciation expense
	Donation (Additions)	12,000	cl. (bal.)
(W-5)	Dr.	Furniture account	Cr.
	b/d	40,000	Disposal (W-8)
	Disposal (new)	6,700	Disposal
			Depreciation expense (W-9)
			c/d (bal.)
(W-6)	Dr.	Disposal account (Adj. # i)	Cr.
	Furniture a/c (old) (W-8)	2,880	Cash and bank
			P and L (bal.)
(W-7)	Dr.	Disposal account (Adj. # ii)	Cr.
	Furniture a/c (old)	6,000	Furniture (new)
	P/L (bal.)	700	

Entry for exchange:

	Dr.	Cr.
Furniture (new)	6,700	
P/L (bal.)		700
Furniture (old)		6,000

(W-8) **WDV of disposals**

Cost	4,000
Less: Depreciation 30.6.2010 ($4,000 \times 20\%$)	(800)
WDV (30.06.2010)	3,200
Less: Depreciation till 1.1.2011 ($3,200 \times 20\% \times 6/12$)	(320)
WDV (1.1.2011)	<u>2,880</u>

(W-9)	Depreciation expense – furniture		
	Depreciation – on opening assets excluding disposals	40,000	
	Opening assets WDV	(9,200)	
	Disposals WDV ((W-8) 3,200 + 6,000)	<u>30,800</u>	
		20%	6,160
	Depreciation – on additions	(6,700 × 20%)	1,340
	Depreciation – on disposals	(W-8)	<u>320</u>
			<u>7,820</u>

		Salaries account		Cr.
(W-10)	Dr.	63,500	op. I and E (bal.)	17,500
	Cash and bank	4,000		50,000
		Rent account		Cr.
(W-11)	Dr.	34,000	op. I and E (bal.)	11,000
	Cash and bank	2,000		25,000
	cl.			

Answer-5

It was a good question which tested the analytical skills of the students. Examinees were required to calculate the additions made to the non-current assets by grossing up the book value using the depreciation rates given. Further the opening and closing balances of receipt and payment account were given and no information was given regarding expense incurred during the year so expense paid would be calculated as a balancing figure in the receipt and payment account. The students which were able to understand the above mentioned points had no problem in preparing the income and expenditure account.

(a)

Gulshan Cricket Club
Receipt and Payment Account
For the year ended June 30, 2008

	Rs.	Payments	Rs.
Receipts			
b/d	1,204,800	Building (W-2.1)	753,000
Subscription (W-1)	3,605,000	Furniture (W-2.2)	256,000
		Books (W-2.3)	186,800
		Equipment (W-2.4)	436,000
		Investment	1,591,500
		Expenses (bal. fig.)	1,586,500
		c/d	4,809,800
	<u>4,809,800</u>		

WORKINGS

		Subscription a/c		Cr.
(W-1)	Dr.	326,000	b/d	86,000
	b/d	3,630,000	Cash (bal. fig.)	3,605,000
	I & E (W-1.1)	92,000	c/d	357,000
	c/d	<u>4,048,000</u>		<u>4,048,000</u>

(W-1.1) Subscription income for the year

Period Covered	Months	Member	Rate/month	Total
From Jul 1, 2007 - Dec 31, 2007	6	610	500	1,830,000
From Jan 1, 2008 - Jun 30, 2008	6	600	500	1,800,000
Total income				<u>3,630,000</u>

(W-2) For the purpose of calculating additions figure for non-current assets we will prepare the relevant asset accounts. Opening and closing balances of asset accounts have been given and the rate of depreciation is given in the question so we can calculate the depreciation figure using the closing book values of asset accounts. For example if depreciation rate is 5%, it means that closing book value represents 95%. After calculating the depreciation figure the additions will be the balancing figure.

(W-2.1)

Dr.	6,024,000	Depreciation ($6,438,150 \times 5/95$)	338,850
b/d	753,000	c/d	6,438,150
Additions (bal. fig.)	6,777,000		6,777,000

(W-2.2)

		Furniture account	
Dr.			Cr.
	3,012,000	depreciation ($2,710,800 \times 10/90$)	301,200
b/d	-	c/d	2,710,800
Additions (bal. fig.)	<u>3,012,000</u>		<u>3,012,000</u>

(W-2.3)

Dr.		Books account		Cr.
b/d		1,129,500	Depreciation ($1,246,950 \times 10/90$)	138,550
Additions	(bal. fig.)	256,000	c/d	1,246,950
		<u>1,385,500</u>		<u>1,385,500</u>

(W-2.4)

Equipment		Cr.	
Dr.			
b/d	1,807,200	Depreciation ($1,595,200 \times 20/80$)	398,800
Additions (bal. fig.)	186,800	c/d	1,595,200
	<u>1,994,000</u>		<u>1,994,000</u>

(b)

Gulshan Cricket Club
Income and Expenditure Account
for the year ended June 30. 2008

		Rs.	Rs.
Income			
Subscription	(W-1.1)		3,630,000
Expenditure			
Expenses (other than depreciation)	(W-1)	1,558,200	
Depreciation			
- Building		338,850	
- Furniture		301,200	
- Books		138,550	
- Sports Equipment		398,800	2,735,600
Surplus/ (deficit)			<u>894,400</u>

WORKINGS

(W-1)

The payment of expenses has already been calculated in the part (a) as balancing figure and the opening and closing balances of expense payable and prepaid expenses have been given in the question, so putting all these in the T account we can calculate the expense for the year as balancing figure.

Dr.		Expense account		Cr.	
b/d		122,000	b/d		186,900
Cash	(part-a)	1,591,500	I &. E (bal. fig.)		1,558,200
c/d		207,600	c/d		176,000
		<u>1,921,100</u>			<u>1,921,100</u>

As far as the answer is concerned, it is complete, now let's move forward and check the solution. Think for 5 minutes before you proceed that how the solution can be checked.

Gulshan Cricket Club
Balance sheet
as on June 30, 2008

	2007	2008
Assets		
Building	6,024,000	6,438,150
Furniture	3,012,000	2,710,800
Books	1,129,500	1,246,950
Sports equipments	1,807,200	1,595,200
Investments	-	436,000
Cash	1,204,800	1,586,500
Prepaid expenses	122,000	176,000
Subscription receivable	326,000	357,000
Total assets	13,625,500	14,546,600
Liabilities		
Expenses payable	186,900	207,600
Advance subscription	86,000	92,000
Total liabilities	272,900	299,600
Fund (Total assets - Total liabilities)	13,352,600	14,247,000
-Fund 2008		14,247,000
Fund 2007		(13,352,600)
Difference (Surplus/ (deficit) as calculated above)		894,400

Answer-6

ABC Sports Association
Income and Expenditure account
for the year ended June 30, 2002

		Rs.
Incomes		
Entrance fee	(80,000 – 25% of 80,000)	60,000
Donations	(110,000 – 40,000)	70,000
Subscription	(W-2)	290,000
Profit on tournament	(W-1)	32,000
		452,000
Expenses		
Canteen store and refreshment consumed	(W-4)	64,850
Upkeep of play ground		30,000
Rent		12,000
Salaries and Wages		32,000
Travelling expenses		9,000
Printing and stationery		30,000
General expenses		60,000
Depreciation – equipment	(90,000 × 15%)	13,500
		(251,350)
Surplus/ (deficit)		200,650

WORKINGS

(W-1) Profit from tournament

Revenue		25,000
Donation		40,000
		<u>65,000</u>
Less: Expenses		
Tournament expenses		
Tournament prizes awarded	14,000	
Brochure expense	7,000	
	<u>12,000</u>	
Profit		<u>(33,000)</u>
		<u>32,000</u>

(W-2) Dr.	Subscription account	Cr.
op. receivable	140,000	Cash
(20,000 + 30,000 + 90,000)		250,000
1 and E (bal.)	290,000	cl. receivable (20,000+30,000+130,000)
	<u>430,000</u>	180,000
		<u>430,000</u>

As the receivable of 2000 and 2001 is outstanding on 30.6.2002, so to arrive at the op. receivable at 1.7.2001 we have to add in this balance the receipts of previous years received in current year.

(W-3) Stock of refreshment

	Cost	Value
Value of provisions, stores etc.	20,000	20,000
Value of eatables and perishables	5,000	2,750
Value of mineral water bottles, cigarettes (3,000 × 80%)	3,000	2,400
		<u>25,150</u>

Subsequent sale of eatables shows that NRV on balance sheet date was Rs. 2,750.

(W-4) Dr.	Canteen store and refreshment consumed	Cr.
b/d	5,400	I and E (bal.)
Cash	84,600	c/d (W-3)
	<u>430,000</u>	<u>25,150</u>
		<u>430,000</u>

Answer- 7

(a)

Executive Club
Income and Expenditure account
for the year ended December 31, 2006 .

Incomes

	Rs.
Receipts from snooker table	3,225,000
Profit from catering services Subscription (W-1)	4,500,000
	<u>3,575,000</u>
	<u>11,300,000</u>

Expenses

	Rs.
Insurance	90,000
Rent and rates (W-6)	1,455,000
Electricity (W-7)	770,000
Communications	92,500
Wages	1,975,000
Sundry club expenses	290,000
Repairs to snooker equipment	510,000
Glass and crockery consumed (W-5)	565,000
Depreciation (9,000,000/6)	1,500,000
Misappropriation expense (W-4.1)	6,242,000
	<u>(13,489,500)</u>
Deficit	<u>(2,189,500)</u>

(b)

**Executive Club
Balance Sheet
as on December 31, 2006**

Fund and liabilities**Fund**

Opening Fund
Surplus/(Deficit)

(W-9)

Rs.

6,298,500
(2,189,500)

4,109,000
3,000,000

Building Reserve account

Current Liabilities

Suppliers
Electricity bills payable
Subscription in advance
Payable for snooker tables

(W-8)

2,330,000

155,000

75,000

1,170,000

3,730,000

10,839,000

Total

Assets**Non-Current Assets**

Snooker table
Less Accumulated depreciation

(9,000,000 + (W-8) 1,300,000)

(4,100,000 + 1,500,000)

10,300,000

(5,600,000)

4,700,000

Current Assets:

Bank
Prepaid rent
Stocks
Stocks of crockery
Insurance claim receivable

1,444,000

150,000

2,995,000

550,000

1,000,000

6,139,000

10,839,000

Total

WORKINGS**(W-1) Profit from catering services**

Revenue
Less: COS
Op. stock
Purchases
Less: Cl. Stock
Profit

(W-1.1)

(W-3)

Rs.

Rs.

22,500,000

1,940,000

19,055,000

(2,995,000)

(18,000,000)

4,500,000**(W-1.1)**

Revenue = (Cost of sales (W-1) / 80 × 100)
= 18,000,000 / 80 × 100
= 22,500,000

(W-2)

Dr.		Subscription account	Cr.	
I and E	(bal.)	3,575,000	Cash	3,650,000
cl. advance		75,000		
		<u>3,650,000</u>		<u>3,650,000</u>

(W-3)

Dr.		Supplier account	Cr.	
Bank		18,155,000	op.	1,430,000
cl.		2,330,000	Purchases (bal.)	19,055,000
		<u>20,485,000</u>		<u>20,485,000</u>

(W-4)		Cash account	
Dr.			Cr.
op.	-	Glass and crockery	430,000
Snooker table charges	3,225,000	Wages	1,975,000
Subscription	3,650,000	Sundry club exp.	290,000
Building reserve fund	3,000,000	Repairs	510,000
Revenue	22,500,000	Bank	26,160,500
Bank	4,232,500	Misappropriation exp. (bal.)	7,242,000
		c/d	-
	<u>36,607,500</u>		<u>36,607,500</u>

(W-4.1) Journal entry for cash misappropriation

	Dr.	Cr.
Insurance claim receivable	1,000,000	
I and E (bal.)	6,242,000	
Cash		7,242,000

(Cash misappropriation transferred to income and expenditure)

(W-5)		Glass and crockery account	
Dr.			Cr.
op.	685,000	I and E (bal.)	565,000
Cash	430,000	cl.	550,000
	<u>1,115,000</u>		<u>1,115,000</u>

(W-6)		Rent and rates	
Dr.			Cr.
op.	125,000	I and E (bal.)	1,455,000
Bank	1,480,000	cl.	150,000
	<u>1,605,000</u>		<u>1,605,000</u>

(W-7)		Electricity	
Dr.			Cr.
Bank	735,000	op.	120,000
cl.	155,000	I and E (bal.)	770,000
	<u>890,000</u>		<u>890,000</u>

(W-8) Journal entry for snooker table purchased

	Dr.	Cr.
Snooker table (130,000/10 × 100)	1,300,000	
Bank		130,000
Payable for snooker table (bal.)		1,170,000

By grossing up the deposit of 130,000 given in bank account we can calculate the cost.

On additions no depreciation will be charged because these were purchased on December 31.

(W-9) Opening fund

Assets		Rs.
Snooker table		9,000,000
Less: Accumulated Depreciation		(4,100,000)
Prepaid rent		125,000
Stocks		1,940,000
Stocks of crockery		685,000
Bank		198,500
		<u>7,848,500</u>
Liabilities		
Suppliers		1,430,000
Electricity payable		120,000
		<u>(1,550,000)</u>
Opening Fund		<u>6,298,500</u>

Answer-8

(a)

Golf Club
Trading account for canteen
for the year ended December 31, 2012

		Rs.	Rs.
Revenue			331,400
Less: Cost of sales			
Opening stock	(Lower of cost or NRV)	55,200	
Purchases	(W-1)	197,200	
Wages		78,900	
Less: Closing Stock		(39,500)	(291,800)
Profit before bonus			39,600
Less: Bonus	(39,600/120 × 20)		(6,600)
Profit after bonus			<u>33,000</u>

(b)

Golf Club
Income and Expenditure account
for the year ended December 31, 2012

		Rs.
Incomes		
Subscription	(W-2)	686,400
Canteen profit	(Part-a)	33,000
Golf course fees		284,000
Event profit	(86,800 - 47,300)	39,500
Gain on sale of course equipment	(W-8)	8,800
Competition profit	(46,600 - (W-4) 13,300)	33,300
		<u>1,085,000</u>
Expenses		
Wages and salaries club house		284,000
Course repairs		149,900
Electricity		47,300
Sundry expenses		15,000
Telephone expense	(W-3)	21,700
Insurance	(W-5)	54,000
Depreciation		
Club house and course	(3,156,000 × 40%) × 5%	63,120
Fixtures and fittings	(552,000 × 10%)	55,200
Course equipment	(W-7)	241,400
		<u>(931,620)</u>
Surplus		<u>153,380</u>

Golf Club
Balance Sheet
as on December 31, 2012

Fund and Liabilities**Fund**

Opening Fund	(W-9)	4,178,900
Surplus/(Deficit)		153,380
		<u>4,332,280</u>

Current Liabilities

Canteen trade payable	55,200
Subscription in advance	35,500

Telephone due
Competition expense due
Bonus payable

(part-a)

5,900
3,900
6,600
107,100
4,439,380

Total

Assets**Non-Current Assets**

Club house and course
Less: Accumulated depreciation (214,600 + 63,120)
Fixtures and fittings
Less: Accumulated depreciation (166,000 + 55,200)
Course equipment (W-6)
Less: Accumulated depreciation (W-7)

3,156,000
(277,720)
552,000
(221,200)
1,207,000
(739,400)
3,676,680

Current Assets:

Cash and bank
Canteen inventory
Subscription arrears
Insurance prepaid (W-5)

641,600
39,500
27,600
54,000
762,700
4,439,380

Total

WORKINGS

(W-1)	Dr.	Canteen trade payables	Cr.	
	Cash and bank	213,000	op.	71,000
	cl.	55,200	Purchases (bal.)	197,200
(W-2)	Dr.	Subscription account	Cr.	
	op. receivable	15,800	op. advance	55,200
	I and E (bal.)	686,400	Cash and bank	654,900
	cl. advance	35,500	cl. receivable	27,600
(W-3)	Dr.	Telephone	Cr.	
	Cash and bank	19,700	op.	3,900
	cl.	5,900	I and E (bal.)	21,700
(W-4)	Dr.	Competition expenses	Cr.	
	Cash and bank	12,600	op.	3,200
	cl.	3,900	I and E (bal.)	13,300
(W-5)	Dr.	Insurance expenses	Cr.	
	op. (48,000/12 × 9)	36,000	I and E (bal.)	54,000
	Cash and bank	72,000	cl. (72,000/12 × 9)	54,000
(W-6)	Dr.	Course equipment	Cr.	
	op.	1,262,000	Disposal	55,000
			cl. (bal.)	1,207,000
(W-7)	Dr.	Accumulated depreciation	Cr.	
	Disposal (55,000 × 20% × 4)	44,000	op.	542,000
	cl. (bal.)	739,400	Depreciation	241,400
			(1,262,000 – 55,000) × 20%	

Examinations
at 9) June 29, 2022
minutes - 10 marks
minutes - 5 minutes
ng time - 5 minutes

Karachi and Lahore
at ended 31 December

of. 2010 2011
Rs. in million
10,340 7,833
6,945 4,508

ember 2010, 2011 and 2012
s. 5,090 million respectively.
that machinery purchased on
read of property, on the

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

(W-8)	Dr.	Disposal	Cr.
	Course equipment	55,000	Accumulated dep.
	I and E (bal.)	8,800	Cash and bank
			44,000
			19,800

(W-9)	Opening fund	Rs.
	<u>Assets</u>	
	Cash and bank	157,800
	Canteen inventory	55,200
	Subscription arrears	15,800
	Club house and course	3,156,000
	Less: Accumulated depreciation	(214,600)
	Fixtures and fittings	552,000
	Less: Accumulated depreciation	(166,000)
	Course equipment	1,262,000
	Less: Accumulated depreciation	(542,000)
	Prepaid insurance (W-5)	36,000
		4,312,200
	<u>Liabilities</u>	
	Canteen trade payables	71,000
	Subscription advance	55,200
	Telephone due	3,900
	Competition expense due	3,200
		(133,300)
		4,178,900

Answer-9

Seaview Club Income and Expenditure account for the year ended December 31, 2015

		Rs. in '000'
<u>Incomes</u>		
Profit from beverages	(W-1)	330
Joining fee income		20,800
Subscription income	(W-2)	4,630
		25,760
<u>Expenses</u>		
Insurance	(W-6)	(110)
Rent	(3,600/36 months × 11 months)	(1,100)
Salaries	(W-4)	(1,089)
Utilities	(W-5)	(605)
Repairs and maintenance	(W-7)	(182)
Depreciation	(W-3)	(385)
		(3,471)
Surplus		22,289

Seaview Club
Statement of Financial Position
as on December 31, 2015

General Fund and liabilitiesGeneral Fund

General fund balance inserted
 Surplus/(Deficit)

Rs. in '000'

50,000
22,289
72,289

Non-current liabilities

Subscription in advance - non current portion

15,338

Current Liabilities

Subscription in advance - current portion (W-2)

9,984

Creditors (W-1.2)

393

Salary payable (W-4)

99

Repair and maintenance payable

7

Utilities payable (W-5)

55

10,538

98,165

Total

AssetsNon-Current Assets

Furniture and Fixture (1,200 - 110)

1,090

Van (1,500 - 275)

1,225

2,315

1,300

20

Advance rent

(3,600/36M × (25 - 12) = 13M)

Security deposit

Current Assets:

Receivable of Beverages (W-1)

150

Stocks

440

Advance salary

10

Advance rent

1,200

Advance for plot

65,000

Bank

27,620

Advance for shed

100

Prepaid Insurance

10

94,53

98,16

Total

Rs.

1,65

WORKINGS**(W-1) Profit from beverages**

Revenue (W-1.2)

1,7

Less: COS

(44

Op. stock

(1,32

Purchases

3

Less: Closing Stock

Cost of sales

Profit

(1,760 × 25%)

(W-1.1)

Dr.		Creditor	Cr.
Cash	1,367	Opening	-
Closing (bal.)	393	Purchases	1,760

(W-1.2)

Dr.		Debtor account- Beverages	Cr.
Op. receivable	-	Cash	1,500
Sales (bal.)	1,650	cl. Receivable	150

(W-2)

Dr.		Subscription account	Cr.
Op. receivable	-	Op. advance	-
I and E (see below)	4,630	Cash	29,952
cl. Advance (bal.)	25,322	cl. receivable	

Income for the year

		Rs. in '000'
Income from members entered in March	(112 members × Rs. 24 × 10/12)	2,240
Income from members entered in June	(98 members × Rs. 24 × 7/12)	1,372
Income from members entered in September	(101 members × Rs. 24 × 4/12)	808
Income from members entered in December	(105 members × Rs. 24 × 1/12)	210
		<u>4,630</u>

Break-up of closing advance in current and non-current portion

Closing advance as per T- account	25,322
Less: Current portion (112 + 98 + 101 + 105) × Rs.24	(9,984)
Non-current portion	<u>15,338</u>

(W-3) Depreciation Expense for the year

Furniture and Fixture	(1,200 × 10% × 11/12)	110
Van	(1,500 × 20% × 11/12)	275
		<u>385</u>

(W-4)

Dr.		Salaries account	Cr.
Cash	1,000	I and E (bal.)	1,089
cl. Payable (see below)	99	cl. Advance	10
Salaries paid from February - November	(1,000 - 10)		990
Salary for December yet payable	(990/10 months)		99

(W-5)

Dr.		Utilities expense	Cr.
Cash (570 - 20)	550	I and E (bal.)	605
c/d (550/10M × 1M)	55		

(W-6)

Dr.		Insurance expense	Cr.
Cash	120	I and E (bal.)	110
		c/d (150/12 - 1)	10

(W-7)

Dr.		Repair expense	Cr.
Cash (275 - 100)	175	I and E (bal.)	182
c/d	7		

Answer-10

(a)

Old Citizen Association Receipt and Payment account for the year ended December 31, 2004			
Dr.	Rs.		Cr.
b/d (opening balance of bank)	37,600		
Subscription account	66,800	Medical Aid Fund	57,600
General Fund	41,600	Office Premises	240,000
Medical Aid Fund	68,000	Premises (legal expense)	8,400
Government securities- Sale proceeds	100,000	Loan repayment (6,400 – 3,600)	2,800
Interest on securities	2,800	Interest on loan	3,600
Loan (mortgage)	120,000	Premises (alteration and decoration)	33,600
		(45,600 – 12,000)	
		Furniture	13,600
		Office salaries	28,000
		Rent and rates	13,600
		Stationery and postage	12,000
c/d (closing O/D balance of bank)	45,600	Other expenses	69,200
	<u>482,400</u>		<u>482,400</u>

(b)

Old Citizen Association
Income and Expenditure account
for the year ended December 31, 2004

Incomes

		Rs.
Subscription	(W-1)	60,800
Profit on sale of Government securities	(100,000-(W-2)80,000)	20,000
Interest on Government securities		2,800
		<u>83,600</u>

Expenses

Interest on loan		3,600
Depreciation	((W-3) 31,200 × 10%)	3,120
Office salaries		28,000
Rent and rates	(W-4)	9,600
Stationery and postage		12,000
Other expenses	(W-5)	62,800
		<u>(119,120)</u>
Surplus/ (deficit)		<u>(35,520)</u>

WORKINGS

(W-1)	Dr.	Subscription account	Cr.
	op. receivable	2,000	op. advance
	I and E (bal.)	60,800	Bank
	cl. advance	4,000	cl. receivable
		<u>66,800</u>	<u>66,800</u>
(W-2)	Dr.	Government securities	Cr.
	op.	160,000	Disposal (160,000/2)
			cl. (bal.)
		<u>160,000</u>	<u>160,000</u>

(W-3)	Dr.	Office Furniture account	Cr.
	op.	12,000	
	Bank	13,600	
	Payable for furniture	5,600	cl. (bal.)
		<u>31,200</u>	<u>31,200</u>

(W-4)	Dr.	Rent and rates	Cr.
		op: payable	4,000
	Bank	13,600	I and E (bal.)
		<u>13,600</u>	<u>9,600</u>
			<u>13,600</u>

(W-5)	Dr.	Other expenses	Cr.
	Bank	69,200	I and E (bal.)
			cl. Advance
		<u>69,200</u>	<u>62,800</u>
			<u>6,400</u>
			<u>69,200</u>

Note: It is assumed that legal expenses are for the purpose of premises

Journal entries for understanding purposes (Not a part of ICAP question)		Dr.	Cr.
(3)	Bank	41,600	
	General Fund		41,600
	(General fund receipts)		
	Bank	68,000	
	Medical Aid Fund		68,000
	(Specific fund receipts to meet expenses)		
	Medical Aid Fund	57,600	
	Bank		57,600
	(Expenditure from specific fund)		
(4)	Bank	100,000	
	P and L		20,000
	Government securities (160,000/2)		80,000
	(Entry for disposal of investment)		
(5)	Premises	240,000	
	Bank		240,000
	(Purchase of premises)		
	Bank	120,000	
	Loan (Mortgage)		120,000
	(Loan arranged for premises)		
	Premises	8,400	
	Bank		8,400
	(legal expense paid- assumed for the purpose of premises)		
	Loan (bal.)	2,800	
	Interest Expense	3,600	
	Bank		6,400
	(Repayment of loan and interest)		
	Premises (alteration and decoration)	45,600	
	Bank (bal.)		33,600
	Payable for alteration and decoration		12,000

Answer-11
(a)

Gharib Charitable Hospital
Income and Expenditure account
for the year ended December 31, 1999

Incomes

OPD charges
X-Ray charges
Laboratory charges
In-patient billing
Donation

(W-1)

(W-3)

(W-2)

Rs.

59,673

41,620

25,067

597,880

345,200

1,069,440

Expenses

Medicines
Laboratory supplies and X-Ray films
Consultant fees
Salaries
Electricity
Cleaning and general
Stationery and supplies
Repairs and maintenance
Telephone charges
Depreciation
 Equipment
 Furniture

(W-4)

(W-5)

(W-11)

(W-7)

(W-8)

(W-10)

(W-9)

(W-6)

(100,000 × 10%)

48,411

33,307

160,000

294,190

330,610

39,859

19,825

25,221

32,370

61,400

10,000

(1,055,193)

14,247

Surplus/ (deficit)

(b)

Gharib Charitable Hospital
Balance Sheet
as on December 31, 1999

Fund and liabilitiesFund

Opening Fund
Surplus/(Deficit)

(W-15)

Rs.

651,832

14,247

666,079

Current Liabilities

Salaries due
Electricity bill due
Telephone bill due
Cleaning and general due
Consultant fee payable
Creditors
 - Medicine
 - X-ray films
 - Lab supplies

22,520

30,100

2,720

3,710

15,500

4,500

3,500

1,300

83,850

749,929

Total

AssetsNon-Current Assets

Equipment
Furniture

(W-6)

(100,000 - 10,000)

552,600

90,000

Examinations
st 9) June 29, 2022
minutes - 10 marks
minutes - 5 minutes
ing time - 5 minutes

Karachi and Lahore
if ended 31 December

of: 2010 2011

Rs. in million
10,340 7,833
6,945 4,508
ember 2010, 2011 and 2012
5,090 million respectively.
that machinery purchased on
to repair instead of property.
rate of 20% per annum on the
this material error

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

Current Assets:

X- Ray charges receivable
In patient billings receivable
Laboratory charges receivable
Stock of medicine
Stock of laboratory supplies and X-ray films
Cash at bank and in hand

Total

642,600

2,780
57,920
2,100
7,450
3,980
33,099
107,329
749,929

WORKINGS

(W-1)

Dr.	X- Ray charges receivable	Cr.
op.	1,600	Cash and Bank
I and E(bal)	41,620	cl.
	43,220	43,220

(W-2)

Dr.	In patient billings receivable	Cr.
op.	27,270	Cash and Bank
I and E(bal)	597,880	cl.
	625,150	625,150

(W-3)

Dr.	Laboratory charges receivable	Cr.
op.	1,900	Cash and Bank
I and E(bal)	25,067	cl.
	26,967	26,967

(W-4)

Dr.	Stock of medicine	Cr.
op.	6,230	I and E (bal)
Creditor-medicine (W-12)	49,631	cl.
	55,861	55,861

(W-5)

Dr.	Stock of laboratory supplies and X-ray films	Cr.
op.	4,170	
Creditor X-ray (W-13)	24,500	I and E (bal)
Creditor laboratory supp. (W-14)	8,617	cl.
	37,287	37,287

(W-6)

Dr.	Equipment	Cr.
b/d	560,000	Depreciation
Cash and Bank	54,000	(560,000 + 54,000) × 10%
	614,000	61,400
		552,600
		614,000

It is assumed that all additions took place at the start of the year.

		Salaries expense		Cr.
(W-7)	Dr.	298,450	Op.	26,780
	Cash and Bank	22,520	I and E (bal)	294,190
	cl.	320,970		320,970

		Electricity bill expense		Cr.
(W-8)	Dr.	324,710	Op.	24,200
	Cash and Bank	30,100	I and E (bal)	330,610
	cl.	354,810		354,810

		Telephone bill expense		Cr.
(W-9)	Dr.	31,750	Op.	2,100
	Cash and Bank	2,720	I and E(bal)	32,370
	cl.	34,470		34,470

		Cleaning and general expense		Cr.
(W-10)	Dr.	38,549	Op.	2,400
	Cash and Bank	3,710	I and E (bal)	39,859
	cl.	42,259		42,259

		Consultant fee payable		Cr.
(W-11)	Dr.	156,500	Op.	12,000
	Cash and Bank	15,500	I and E(bal)	160,000
	cl.	172,000		172,000

		Creditor-Medicine		Cr.
(W-12)	Dr.	49,131	Op.	4,000
	Cash and Bank	4,500	Medicine	49,631
	cl.	53,631		53,631

		Creditor-X-ray films		Cr.
(W-13)	Dr.	25,000	Op.	4,000
	Cash and Bank	3,500	Stock - X ray film (bal.)	24,500
	cl.	28,500		28,500

		Creditor-lab supplies		Cr.
(W-14)	Dr.	8,517	Op.	1,200
	Cash and Bank	1,300	Stock-Lab. Supplies (bal.)	8,617
	cl.	9,817		9,817

(W-15) Opening fundAssets

X-Ray charges receivable
 In patient billings receivable
 Laboratory charges receivable
 Stock of medicine
 Stock of laboratory supplies and X-ray films
 Equipment
 Furniture
 Cash at bank and in hand

Rs.

1,600
27,270
1,900
6,230
4,170
560,000
100,000
27,342
728,512

Liabilities

Salaries due
Electricity bill due
Telephone bill due
Clearing and general due
Consultant fee payable
Creditors
- Medicine
- X-ray films
- Lab supplies

26,780
24,200
2,100
2,400
12,000
4,000
4,000
1,200
(76,680)
651,832

Answer-12

(a)

Leisure club
Receipt and payment account

Cash Receipts	Rs.	Cash Payments	Rs.
Opening Bal.	300,000	Salaries	2,300,000
Bank withdrawal	6,120,000	Bank	37,848,500
Subscription(33,000,000 - 19,800,000)	13,200,000	Sundry Expenses	640,000
Tuck shop sales(w-5)	22,856,250	Cash Misappropriation (bal.)	1,662,750
		Closing Bal.	25,000

(b)

Leisure Club
Income and Expenditure account
for the year ended December 31, 2016

Incomes		Rs.
Subscription	(W-1)	31,817,500
Tuck Shop	(W-6)	4,571,250
Other income(Bad debt recovered)		1,860,000
		38,248,750
Expenditures		
Salaries		2,300,000
Insurance		175,000
Rent	(W-10)	4,193,000
Utilities		4,365,000
Repair & Maintenance		700,000
Sundry Expenses		640,000
Depreciation	(W-8)	5,847,500
Abnormal Loss		500,000
Cash Misappropriation	Part a	1,662,750
Loss on disposal of asset	(W-9)	10,000
		(20,393,250)
Surplus		17,855,500

Leisure Club Balance Sheet As on December 31, 2016

Fund and liabilities

Fund :
Opening Fund
Surplus

Current liabilities:

Creditor
Advance Subscription(W-1)

Total

Assets

Non-Current Assets:

Fixed Assets- WDV

(W-7)

Current Assets:

Bank
Cash
Prepaid Rent
Inventory

Total

WORKINGS

(W-1)

Dr.

Subscription account

			Cr.	
I and E	(bal.)	31,817,500	Op. advance	(W-3) 1,0642,500
cl. advance	(W-3)	11,825,000	Cash (3,300 × 10,000)	33,000,000

(W-2) Advance Closing Balance subscription

			Rs.
Quarter-1			
Quarter-2	(8,250,000 × 3/12)		2,062,500
Quarter-3	(5,500,000 × 6/12)		2,750,000
Quarter-4	(9,350,000 × 9/12)		7012,500
			11,825,000

Advance Opening Balance subscription: $11,825,000 \times 9/10 = 10,642,500$

(W-3)

Dr.

Creditor Account

		Cr.	
Bank	18,155,000	Op.	2,500,000
cl.	3,330,000	Purchases (bal)	18,985,000

(W-4)

Dr.

Inventory Account(Tuck shop)

		Cr.	
Op.	2,300,000	Cost of Sale (bal.)	18,285,000
Creditor	(W-3) 18,985,000	Abnormal Loss	500,000
		cl.	2,500,000

(W-5) Calculation of Sales

Tuck Shop Sale = $18,285,000 / 80 \times 100$
= 22,856,250

(W-6) Income from Tuck Shop

Sale	22,856,250
Less: Cost of Sales	(18,285,000)
Income	<u>4,571,250</u>

(W-7)	Dr.	Fixed Assets(WDV)	Cr.
	b/d	28,000,000	Disposal (800,000 – 0,000) 760,000
	Addition	7,350,000	Depreciation 5,847,500
	Addition	17,000,000	c/d (bal.) 45,742,500

(W-8) Depreciation expense

Depreciation – on opening assets excluding disposals

Opening assets WDV

Disposals WDV

28,000,000

(800,000)

27,200,000

× 20%

5,440,000

Depreciation – on additions

7,350,000

× 20% × 3/12

40,000

Depreciation – on disposals

800,000

× 20% × 3/12

367,500

5,847,500

(W-9)	Dr.	Disposal Account	Cr.
	Fixed Assets	800,000	Bank 750,000
			Acc. Depreciation 40,000
			Loss on disposal(bal.) 10,000

(W-10)	Dr.	Rent account	Cr.
	op.	168,000	
	Bank	4,200,000	I and E (bal.) 4,193,000
			cl. 175,000

Answer-13

(a)

Violin Family Club**Income and expenditure account for the year ended 31 December 2018**

Rs. in '000

Income

Subscription

(W-1)

995

Gain on disposal of table

(212 - $\frac{960}{5}$)

20

Profit from canteen

57

Life membership

(W-2)

228

1,300

Expenditures

Rent

(W-3)

146

Salaries

285

Electricity

(W-4)

275

Depreciation – snooker tables

(W-6)

128

Depreciation – furniture & equipment

(720 + 220) × 20%

188

Subscription written off

45

(1,067)

233

Excess of income over expenditure

Canteen trading account for the year ended 31 December 2018

		Rs. in '000	Rs. in '000
Sales	$\frac{504}{80} \times 110$		693
Cost of goods sold			
Opening stock		215	
Purchases	(W-8)	536	
Closing stock		(247)	504
Gross profit			189
Expenses			
Wages	11×12		(132)
Profit from canteen			57

(b) Violin Family Club
Statement of financial position as on 31 December 2018

		Rs. in '000
Assets		
<u>Non-current assets</u>		
Snooker table	(W-5)	640
Furniture & equipment	(W-7)	752
		1,392
<u>Current assets:</u>		
Canteen stock		247
Prepaid rent		25
Subscriptions in arrears		30
Bank	(W-9)	1,094
		1,396
		2,788
<u>General funds</u>		
Opening balance	(2,024 - 378) - 1,344 (W-2)	302
Excess of income over expenditure		233
		535
Life membership fund	(W-2)	1,836
<u>Liabilities</u>		
Canteen creditors		142
Accrued electricity		35
Subscription in advance	(W-1)	75
Creditors for equipment	(W-7)	154
Canteen wages payable		11
		417
		2,788

WORKINGS

(W-1)

Subscription

	Rs. in '000		Rs. in '000
Opening arrears:		Opening advance 2018	45
2016	15	Receipts (60 + 920 + 75)	1,055
2017	90	Write off (15 + 30)	45
Income balance	995	Closing arrears	30
Closing advance	75		
	1,175		1,175

Examinations
Test 9) June 29, 2022
10 minutes – 10 marks
Writing time – 5 minutes

of Karachi and Lahore
car ended 31 December

of: 2011 2010

Rs. in million
10,340 7,833
6,945 4,508

number 2010, 2011 and 2012
5,090 million respectively.
that machinery purchased on
to repair instead of property,
rate of 20% per annum on the

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

(W-2)

Life membership			
	Rs. in '000		Rs. in '000
Income $[(5 + 8 + 6) \times 120 + 10]$	228	Opening balance $(5 \times 120 \times 8 + 10) + (8 \times 120 \times 9 + 10)$	1,344
Closing balance	1,836	Receipt (6×120)	720
	2,064		2,064

(W-3)

Prepaid Rent			
Date	Rs. in '000	Date	Rs. in '000
1-1-18 b/d (Rent of Jan & Feb)	24		
1-3-18 Cash $(\frac{24}{2} = 12 \text{ per month} \times 3 \text{ months})$	36		
1-6-18 Cash $(\frac{24}{2} \times 3)$	36	P & L (Balancing)	146
1-9-18 Cash 12.5×3	37.5		
1-12-18 Cash 12.5×3	37.5	31-12-18 c/d (12.5×2)	25
	171		171

Rent after September 1, 2018

$(12 \text{ per month} \times 12 = 144 + 6 = 150 \text{ per annum}) (150/12 = 12.5 \text{ per month})$

(W-4)

Accrued Electricity			
Date	Rs. in '000	Date	Rs. in '000
31-12-18 Cash	263	1-1-18 b/d	23
c/d	35	P & L	275
	298		298

(W-5)

Snooker Table (WDV)			
Date	Rs. in '000	Date	Rs. in '000
1-1-18 b/d	960		
		31-12-18 Depreciation (W-6)	128
		Disposal $(960/5)$	192
	960	c/d	640
			960

(W-6) Depreciation for the year

Cost of snooker table

$$\text{Cost} = \frac{960}{1 - 0.125} \times 2 = 1,280$$

$$\text{Cost on 1 table} = \frac{1280}{5} = 256$$

$$\text{Cost of remaining 4 tables} = 256 \times 4 = 1,024$$

$$\text{Depreciation of snooker table} = 1,024 \times 12.5\% = 128$$

Depreciation on equipment and furniture

$$(720 + 66 + 154) \times 20\% = 188$$

(W-7)

Furniture and Equipment (WDV)			
Date	Rs. in '000	Date	Rs. in '000
1-1-18 b/d	720		
Cash	66	31-12-18 Depreciation (W-6)	188
Account payable $(\frac{66}{30\%} \times 70\%)$	154	c/d	752
	940		940

Bonus	
Final	Interim
20%	10%
10%	5%
5%	10%

Increment of half-yearly results.
Increment of 4 right shares for every 5
right issue was made at Rs. 18 per

year ended 31 December 2012 in
Ordinance, 1984 and International
(10)
equipped)

(ck)

(FAR-I Test-9: 29 JUNE 2022)

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

(W-8)

Date	Cash	Canteen Creditor	Date	b/d	Purchases	Rs. in '000
31-12-18	c/d	Rs. in '000	1-1-18			
		512				118
		142				536
		654				654

(W-9)

Subscriptions	Rs. in '000	Bank/cash	Rs. in '000
Life membership (W-2)	1,055	Opening balance	181
Sale proceeds from table	720	Rent	147
Canteen receipts	212	Salaries	285
	693	Electricity	263
		Canteen creditors	512
		Canteen salaries	132
		Equipment	66
		Closing balance	1,094
	2,680		2,680

Answer-14

- (a) Chongtar International Hospital
Income and Expenditure Account
For the year ended 31 December 2019

Incomes

Medical equipment donation
Fee from patients
General donations
Profit from cafeteria (W-4)

Rs. in million

36.8
125.0
82.6
0.4
244.8

Expenses

Medicines consumed (W-1)
Hospital supplies consumed (W-2)
Depreciation - Medical equipment $[(185.4 - 64.2) \times 15\%] + (36.8 \times 15\%)$
Depreciation - Other fixed assets $(110.7 - 54.7) \times 15\%$
Miscellaneous expenses
Salaries - administrative staff $(24 \times 85\%)$
Salaries - doctor and nursing staff
Utilities
Walk on diabetes day - net $[2.2 - 3.8 (W-5)]$
Rent $[21 (W-6) \times 90\%]$

(57.2)
(13.4)
(23.7)
(8.4)
(8.5)
(20.4)
(38.2)
(12.4)
(1.6)
(18.9)
(202.7)
42.1

Surplus

Examinations
Test 9) June 29, 2022
10 minutes – 10 marks
Writing time – 5 minutes

of Karachi and Lahore
ended 31 December

of: 2011 2010
Rs. in million
10,340 7,833
6,945 4,508
number 2010, 2011 and 2012
5,090 million respectively.
that machinery purchased on
to repair instead of property,
rate of 20% per annum on the
effect of this material error.

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

(b) Chongtar International Hospital Statement of financial position As on 31 December 2019

Funds and Liabilities

Opening General fund
+ Surplus

195.6

42.1

237.7

Burns wards fund

75.1

Liabilities

Payables

38.9

Rent payable

1.4

Walk on diabetes day' expense payable

1.2

41.5

354.3

Assets

Non current assets

Medical equipment $[(185.4 + 36.8) - (64.2 + 23.7)]$

134.3

Other fixed assets $[110.7 - (54.7 + 8.4)]$

47.6

Burn ward - Capital W.I.P

55.3

237.2

Current assets

Inventory - medicine

(W-1)

22.7

Inventory - hospital supplies

(W-2)

13.8

Inventory - cafeteria

(W-3)

2.8

Cash and bank

8.4

Receivables - panel corporates

31.4

Short term investments

38.0

117.1

354.3

WORKINGS

(W-1)

Inventory - medicine

b/d	19.4		
Cash	60.5	Medicine consumed (Bal.)	57.2
		c/d $(25.8 - 3.1)$	22.7
	79.9		79.9

(W-2)

Inventory - hospital supplies

b/d	8.5		
Cash	18.7	Hospital supplies consumed (Bal.)	13.4
		c/d	13.8
	27.2		27.2

Bonus	
Interim	Final
20%	20%
10%	10%
5%	5%

at three years and ...
 increment of half-yearly results.
 amount of 4 right shares for every 5
 right issue was made at Rs. 18 per
 share.

year ended 31 December 2012 in
 Ordinance, 1984 and International
 (10)
 required)

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

(W-3)

Inventory - cafeteria	
b/d	4.7
Cash	16.4
	21.1
Cost of sales (W-4)	18.3
c/d (Bal.)	2.80

(W-4) Cafeteria - Trading account

Sales	24.4
Less: Cost of sales (24.4 / 100 × 75)	(18.3)
Gross profit	6.1
Less: Expenses	(3.6)
Salaries (24 × 15%)	(2.1)
Rent [21 (W-6) × 10%]	
Net profit	0.4

(W-5)

'Walk on diabetes day' expense payable	
Cash	2.6
c/d	1.2
	3.8
Expense (Bal.)	3.8

(W-6)

Rent payable	
Cash	19.6
c/d	1.4
	21
Expense (Bal.)	21

Answer-15

	Description	Rs. in '000	Working
A	Opening general fund - 2020	1,766	1,586 + 180 (C) / Balancing figure in balance sheet of 2020
B	Excess of income over expenditure - 2020	62	Balancing figure in Balance sheet income & expenditure account
C	Excess of income over expenditure - 2019	180	198 - 18 (D) Balancing figure in balance sheet of 2019
D	Utilities payable - 2019	18	(W-1)
E	Tuck-shop rent receivable	41	(W-2)
F	Bank balance - 2020	450	Balancing figure in receipt and payment account
G	Salaries expense	568	(W-3)
H	Misc. supplies expense	129	(W-4)
I	Annual sports event expense	55	(W-5)
J	Depreciation expense		(W-6)
K	Depreciation expense	161	
L	Scrap sale / Other income		

Examinations
est 9) June 29, 2022
minutes - 10 marks
ling time - 5 minutes

of Karachi and Lahore
ar ended 31 December

of 2010
2011

Rs. in million
10,340 7,833
6,945 4,508

umber 2010, 2011 and 2012
5,090 million respectively.
nat machinery purchased on
to repair instead of property,
rate of 20% per annum on the
in respect of this material error.
three years are as follows:

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

M	Scrap sale / Other income	15	
N	Members' subscriptions received		(W-8)
O	Members' subscriptions received	790	(W-9)
P	Tennis court fund received	60	
Q	Repair and maintenance paid	40	

W-1: Utilities

Rs. in '000

Payment	214	Opening payable (Bal. fig)	18
Closing payable	25	Expense	221
	239		239

W-2: Tuck shop rent

Rs. in '000

Opening receivable	37	Receipt	248
Income	252	Closing receivable (Bal. fig)	41
	289		289

W-3: Salaries

Rs. in '000

Opening prepaid	15	Opening payable	41
Payment	560	Expense (Bal. fig)	568
Closing payable	52	Closing prepaid	18
	627		627

W-4: Misc. Supplies

Rs. in '000

Opening unused supplies	10	Expense (Bal. fig)	129
Payment	132	Closing unused supplies	13
	142		142

W-5: Annual Sports event

Rs. in '000

Payment	180	Members' contribution	49
Closing payable	10	Entrance fee	86
		Expense (Bal. fig)	55
	190		190

W-6: Fixed Assets - Net

Rs. in '000

Opening balance	1,300	Disposal (W-7)	29
Donation	70	Depreciation (Bal. fig)	161
Payment	92	Closing balance	1,403
Tennis court	131		
	1,593		1,593

W-7: Disposal

Rs. in '000

Fixed assets (Bal. fig)	29	sale proceeds	21
		Loss on disposal	8
	29		29

W-8: Members' subscription

Rs. in '000

Opening arrears	158	Opening advance	25
Income	919	Receipt (Bal. fig)	790
Closing advance	20	Write off	12
		Closing arrears	270
	1,097		1,097

W-9: Tennis court fund

Rs. in '000

Closing fund	260	Opening fund	200
		Receipt (Bal. fig)	60
	260		260

Answer-16

Cereus Golf Club

(a) Income and expenditure account for the year ended 31 December 2020

Income:

		Rs. in '000
Subscription income		10,750
Rent on golf kits	(W-1)	650
Sale of golf kits	$3,000 \times 140\%$	4,200
		<u>15,600</u>

Expenditures:

Insurance expense	$660 - 220 (660 \div 12 \times 4)$	(440)
Salaries expense	$2,800 - 350$	(2,450)
Cost of Golf kits sold	$[6,000 (4,800 \div 0.8) \times (2 \div 3)] - 1,000$	(3,000)
Loss on golf kits transferred	500×0.7	(350)
Depreciation	$300 (2,000 \times 15\%) + 3,750 (25,000 \times 15\%)$	(4,050)
Other expenses		(2,320)
Loss on misappropriation	$4,620 (W-2) - 2,000$	(2,620)
		<u>(15,230)</u>
		<u>370</u>

Excess of income over expenditure

(b) Statement of financial position as on 31 December 2020

Non-current assets:

		Rs. in '000
Fixed assets		
Golf kits on rent	$(6,000 \times 1 \div 3) + 150 (500 \times 30\%) - 300 (2,000 \times 15\%)$	21,250
		<u>1,850</u>
		<u>23,100</u>

Current assets:

Golf kits	$(1,000 - 500)$	500
Insurance claim		2,000
Prepaid insurance	I/E	220
Subscription in arrears	(W-1)	300
Cash & bank		4,200
		<u>7,220</u>
		<u>30,320</u>

General funds:

Opening balance	(W-3)	12,350
Excess of income over expenditure	I/E	370
		<u>12,720</u>
Repair and maintenance fund	$5,800 - 2,800$	

Liabilities:

Creditors - golf kits	$(4,800 \div 0.8) - 4,800$	1,200
Subscription in advance	(W-1)	13,400
		<u>30,320</u>

WORKINGS

W-1:

Subscription		Rs. in '000
	Opening advance	
	2018: $(100 \times 60 \times 1 \div 3)$	2,000
	2019: $(140 \times 75 \times 2 \div 3)$	7,000
Income (Bal fig)	10,750	
Closing advance		
2019: $(140 \times 75 \times 1 \div 3)$	3,500	
2020: $(165 \times 90 \times 2 \div 3)$	9,900	
	24,150	
		Receipts $(160 \times 90) + (5 \times 90)$ 14,850
		Closing arrears $(10 \times 90 \times 1 \div 3)$ 300
		24,150

W-2:

Bank/cash		Rs. in '000
Opening balance	2,500	Repair & maintenance expense 2,800
Subscriptions (W-1)	14,850	Golf kits purchases 4,800
Rent of golf kits	650	Insurance premium paid 660
Sale of golf kits	4,200	Salaries paid 2,800
		Other expenses paid 2,320
		Misappropriation (bal. fig.) 4,620
		Closing balance 4,200
	22,200	22,200

W-3: Opening accumulated fund: Rs. in '000

	Rs. in '000
Cash and bank balance	2,500
Fixed assets	25,000
Subscription in advance	(W-1) (9,000)
Accrued salaries	(350)
Repair and maintenance fund	8,000 - 2,200 (5,800)
Accumulated fund - opening balance	12,350

ICAP QUESTION BANK QUESTION**QUESTION-1**

The following were the assets and liabilities of the Nawabshar Youth Movement at 30 April 2017.

	Rs. 000
Fixtures and fittings (net)	16,340
Inventory of refreshment (coffee bar)	4,460
Land	51,600
Subscription received in advance	4,900
Payables for drinks supplied (coffee bar)	6,780
Cash at bank	7,466

The accountant's receipts and payments account for the year to 30 April 2018 shows the following:

Receipts	Rs. 000
Donations received	500
Rent of hall	5,600
Members' subscription	24,000
Sale of brochure	1,740
Sale of dance tickets	3,400
Sale of refreshments (coffee bar)	10,200
Payments	
Repairs and maintenance	3,218
Salaries and wages	6,309
Gifts and donations	600
Dance expenses	950
Refreshment supplies (coffee bar)	19,415
Sundry expenses	10,000

Further information:

- Wages of Rs. 556,000 were due but unpaid at the year-end.
- Inventories of drinks at 30 April 2018 were Rs. 14,210,000
- Provide for depreciation on fixtures and fittings at Rs. 1,900,000
- Subscription due but not paid at 30 April 2018 was Rs. 1,900,000

Required:

Based on the above information, prepare the club's income and expenditure account for the year ended 30 April 2018 and the statement of financial position as at that date.

(ICAP Example 3)

Examinations
Test 9) June 29, 2022
10 minutes – 10 marks
Writing time – 5 minutes

1 of 2
Karachi and Lahore
Year ended 31 December

2010
Rs. in million
10,340
6,945

2011
Rs. in million
7,833
4,508

2012
Rs. in million
6,945
4,508

2013
Rs. in million
6,945
4,508

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

QUESTION-2

The statement of financial position of Peshawar Business Club as at 31 December 2017 is shown as follows:

	Cost Rs.000	Accumulated depreciation Rs.000	Carrying amount Rs.000
Furniture and Fittings	40,000	10,000	30,000
Games Equipment	20,000	7,200	12,800
Motor van	30,000	10,000	20,000
	90,000	27,200	62,800
Current Assets: Cash at bank and at hand			9,200
			72,000
			72,000

Financed by: Accumulated funds

The following transactions took place during the year 1 January 2018 to 31 December 2018:

	Rs. 000
Receipts	16,000
Subscriptions (10,000 members @ 1,600 each)	1,600
Donations	10,800
Sale of tickets for annual dinner	
Payments	4,000
Electricity	6,200
Expenses for annual dinner	3,200
New games equipment	2,080
Cleaners' wages	1,660
Repairs and renewal	2,520
Motor van repairs	

Further information:

An electricity bill of Rs. 900,000 was owed at 31 December 2018.

Depreciation should be calculated at 10% of cost of the assets.

Required:

Based on the above information, prepare the receipt and payment account and income and expenditure account of Peshawar Business Club for the year ended 31 December 2018 and statement of financial position as at that date.

(ICAP Example 4)

QUESTION-3

The treasurer of the Giltan Golf Club has prepared the following receipts and payments account for the year ended 31 March 2016.

Receipts	Rs.(000)	Payment	Rs.(000)
Balance at 1 April 2015	682	Functions	305
Subscriptions	2,930	Repairs	146
Functions	367	Telephone	67
Sale of land	1,600	Extension of club house	600
Bank interest	60	Furniture	135
Bequest (legacy)	255	Heat and light	115
Sundry income	46	Salary and wages	2,066
		Sundry expenses	104
		Balance at 31 March 2016	2,402
	5,940		5,940

- (a) Subscriptions received included Rs.65,000 which had been in arrears at 31 March 2015 and Rs.35,000 which had been paid for the year commencing 1 April 2016.
 (b) Land sold had been valued in the club's books at cost Rs.500,000.
 (c) Accrued expenses

	31 March 2015 Rs.(000)	31 March 2016 Rs.(000)
Heat and light	32	40
Wages	12	14
Telephone	14	10
	<u>58</u>	<u>64</u>

- (d) Depreciation is to be charged on the original cost of assets appearing in the books at 31 March 2016 as follows:

Buildings	5%
Fixtures and fittings	10%
Furniture	20%

- (e) The following balances are from the club's books at 31 March 2015:

	Rs.(000)
Land at cost	4,000
Buildings at cost	3,200
Buildings allowance for depreciation	860
Fixtures and fittings at cost	470
Fixtures allowance for depreciation	82
Furniture at cost	380
Furniture allowance for depreciation	164
Subscriptions in arrears (including Rs.15,000 irrecoverable - member had emigrated)	80
Subscriptions in advance	30

Required:

Prepare an income and expenditure account for the year ended 31 March 2016 and a Statement of financial position as at that date.

(ICAP Example 3)

QUESTION-4

The Langton Hockey club does not have any formal accounting records but the following information is available.

- (1) The payments that have been made by the club for the year ending 30 June 2016 are as follows:

	Rs.(000)
Purchase of second hand table tennis table	250
Rent	600
Tea stall purchases	900
Annual fair expenses	1,450
Outings expenses	370
Prizes for whist evenings	90
Repairs to snooker table	35
Refreshments at social evenings	240

- (2) The club's income, apart from annual subscriptions, is as follows:

	Rs.(000)
Contributions to outings	300
Takings at the annual fair	2,150
The club also run a tea stall in the village car park every Sunday in the summer months. This sells tea and coffee, cakes, biscuits and ice creams etc. The profit margin on the tea stall is normally 20% of selling price.	

- (3) All the club's transactions are in cash but if there are any surplus funds they are banked in a local bank account. The balance on the bank account was Rs.30,000 at 1 July 2015.
- (4) The club has an annual subscription rate of Rs.20,000 per annum per person or Rs.50,000 per annum for a family membership. Members are asked to pay their subscription in the July at the beginning of the club's accounting year.
There are 10 family members of the club. Of these two paid their 2016 subscription in June 2015 and all the rest were received before 30 June 2016.
No individual members had paid their 2016 subscriptions in advance but at 30 June 2016 four members still owed their subscriptions. They had been contacted and all four had promised to pay at the next evening social event. There are in total 80 individual members.
- (5) The club has the following other assets and liabilities:
- | | 30 June 2015
Rs. (000) | 30 June 2016
Rs. (000) |
|--------------------------------|---------------------------|---------------------------|
| Sports equipment | 2,560 | Note 6 |
| Inventory for the tea stall | 120 | 60 |
| Payables for the tea purchases | 110 | 190 |
| Prepayment of rent | 40 | 50 |
- (6) The sports equipment is all depreciated at 20% per annum on net book value on the basis of the equipment held at 30 June each year.
- (7) The old table tennis table was sold during the year for Rs.40,000. Its value as recorded by the club at 30 June 2015 was Rs.30,000.

Required:

You are required to prepare an income and expenditure account for the year ended 30 June 2016 and a statement of financial position at that date.

(20)

(ICAP Example)

QUESTION-5

You have agreed to take over the role of bookkeeper for the AB sports and social club.

The summarised statement of financial position on 31 December 2014 as prepared by the previous bookkeeper contained the following items.

Assets

	Rs.
Heating oil for clubhouse	1,000
Shop and cafe inventories	7,000
New sportswear, for sale, at cost	3,000
Used sportswear, for hire, at valuation	750
Equipment for groundsman	

Cost

5,000

Depreciation

(3,500)

Subscriptions due

200

Bank

Current account

1,000

Deposit account

10,000

Fund and liabilities

Accumulated fund

23,150

Payables

Shop and cafe inventories

1,000

Sportswear

300

The bank account summary for the year to 31 December 2015 contained the following items.

Receipts	Rs.
Subscriptions	11,000
Bankings	
Shop and café	20,000
Sale of sportswear	5,000
Hire of sportswear	3,000
Interest on deposit account	800
	<u>39,800</u>
Payments	Rs.
Rent and repairs of clubhouse	6,000
Heating oil	4,000
Sportswear	4,500
Grounds person	10,000
Shop and café purchases	9,000
Transfer to deposit account	6,000
	<u>39,500</u>

You discover that the subscriptions due figure as at 31 December 2014 was arrived at as follows.

Subscriptions unpaid for 2013	10
Subscriptions unpaid for 2014	230
Subscriptions paid for 2015	40
Corresponding figures at 31 December 2015 are:	
Subscriptions unpaid for 2013	10
Subscriptions unpaid for 2014	20
Subscriptions unpaid for 2015	90
Subscriptions paid for 2016	200

Subscriptions due for more than 12 months should be written off with effect from 1 January 2015.

Asset balances at 31 December 2015 include:

	Rs.
Heating oil for club house	700
Shop and café inventories	5,000
New sportswear, for sale, at cost	4,000
Used sportswear, for hire, at valuation	1,000
Closing payables at 31 December 2015 are for:	
Shop and café inventories	800
Sportswear	450
Heating oil for clubhouse	200

Two thirds of the sportswear purchases made in 2015 had been added to inventory of new sportswear in the figures given in the list of assets above, and one third had been added directly to the inventory of used sportswear for hire.

Half of the resulting new sportswear for sale at cost' at 31 December 2015 is actually over two years old. You decide, with effect from 31 December 2015, to transfer these older items into the inventory of used sportswear, at a valuation of 25% of their original cost.

No cash balances are held at 31 December 2014 or 31 December 2015. The equipment for the grounds person is to be depreciated at 10% per annum, on cost.

Required:

Prepare the income and expenditure account and statement of financial position for the AB sports club for 2015. (ICAP Example 8)

QUESTION-6

The GD Sports Club do not keep any accounting records other than notes concerning the subscriptions of members and the amounts paid for expenses. During discussions with the club committee you discover the following:

- (1) The club does not have a bank account and conducts all its transactions in cash, any surplus being paid into a building society account. The interest credited to this account for the year to 31 March 2015 was Rs.350.

- (2) A summary of the payments for the year is:

	Rs.
Deposit to building society account	250
Purchase of dartboards	100
Heat/light	262
Repairs to snooker tables	176
Cafe payables	7,455
Rental of premises	1,000
Club match referees' fees and expenses	675
Trophies, etc (treated as an expense)	424
Refreshments for visiting teams	235

- (3) The club has 100 members who each pay Rs.5 per annum subscription. However, on 31 March 2014 ten members had already paid their subscriptions for 2015.

On 31 March 2015 two members who had not been seen in the club since August 2014 had not paid their subscriptions for 2015 and it has been decided that the amount due be written off and that their names be removed from the list of members.

- (4) The club has only two sources of income from club members - subscriptions and cafe sales. A profit margin of 30% of selling price, is normally applied to determine cafe selling prices but during the year Rs.397 of goods were sold at cost.

- (5) The club has the following other assets/liabilities:

	1 April 2014	31 March 2015
	Rs.	Rs.
Equipment	4,000	?
Building society account	4,600	5,200
Cafe inventories	840	920
Cafe payables	630	470
Cash in hand	nil	nil
Creditor for heat/light	34	41

- (6) Equipment is depreciated at 10% of the value of equipment held on 31 March each year.

Required:

- (a) Prepare a cafe trading account for the year ended 31 March 2015; (8)
 (b) Prepare an income and expenditure account for the year ended 31 March 2015. (7)
 (c) Prepare a statement of financial position at 31 March 2015. (5)

(20)

(ICAP Example)

QUESTION-7

The HB Tennis Club was formed on 1 April 2015 and has the following receipts and payments account for the six months ended 30 September 2015:

Receipts	Rs.	Payments	Rs.
Subscriptions	12,600	Purchase of equipment	4,080
Tournament fees	465	Groundsman's wages	4,520
Bank interest	43	Rent and business rates	636
Sale of club ties	373	Heating and lighting	674
Life membership fees	4,200	Postage and stationery	41
		Court maintenance	1,000
		Tournament prizes	132
		Purchase of club ties	450
		Balance c/d	6,148
	<u>17,681</u>		<u>17,681</u>

Notes:

- The annual subscription fee is Rs.300. On 30 September there were five members who had not paid their subscriptions, but this money was received on 4 October 2015.
- The equipment is expected to be used by the club for five years, after which time it will need to be replaced. Its estimated scrap value at that time is Rs.50.
- During the six months, the club purchased 100 ties printed with its own design. Forty of these ties remained unsold at 30 September 2015.
- The club has paid business rates in advance on 30 September 2015 of Rs.68.
- The club treasurer estimates that the following amounts should be accrued for expenses:

Groundsman's wages	Rs.
Postage and stationery	40
Heating and lighting	12
	53

- The life membership fees received relate to payments made by four families. The scheme allows families to pay Rs.1,050 which entitles them to membership for life without further payment. It has been agreed that such receipts would be credited to income and expenditure in equal instalments over 10 years.

Required:

- Prepare the club's income and expenditure account for the six months ended 30 September 2015. (8)
- Prepare the club's statement of financial position at 30 September 2015. (7)

*(ICAP Example)***QUESTION-8**

The Monarch Sports Club has the following summary of its cash book for the year ended 30 June 2015:

	Rs.	Rs.
Opening bank balance		12,500
Receipts:		
Subscriptions		18,000
Life membership fees		3,000
Competition receipts		7,500
Entrance fees		2,500
Equipment sold		1,000
		<u>32,000</u>
		44,500

Payments:

Transport to matches	3,700	
Competition prizes	4,300	
Coaching fees	2,100	
Repairs to equipment	800	
Purchase of new equipment	4,000	
Purchase of sports pavilion	35,000	
		(49,900)
		(5,400)

Closing balance (overdrawn)

The following information is available regarding the position at the beginning and end of the accounting year:

	1 July 2014	30 June 2015
	Rs.	Rs.
Subscriptions in advance	1,100	900
Subscriptions in arrears	200	300
Coaching fees outstanding	150	450

Of the subscriptions outstanding at the beginning of the year, only half were eventually received.

The equipment sold during the year had a net book value of Rs.1,200 at 1 July 2014.

Equipment is to be depreciated at 20% per annum straight line. Life membership fees are taken to cover 10 years.

The treasurer insists that no depreciation needs to be charged on the sports pavilion, as buildings do not decrease in value. He says that the last club of which he was treasurer did charge depreciation on its buildings but that when the club came to replace them, there was still insufficient money in the bank to pay for the new building.

Required:

Prepare an income and expenditure account for the Monarch Sports Club for the year ended 30 June 2015.

(ICAP Example 8)

QUESTION-9

The LH Sports Club opened on 1 May 2014 having purchased premises for Rs.80,000 and furniture for Rs. 18,000, both financed by an interest-free loan from a member. The club secretary has produced the following income and expenditure account for the year to 30 April 2015.

	Rs.	Rs.
Income		
Joining fees (89 members × Rs.200 each)	17,800	
Annual subscriptions	12,000	
Cafe profits	8,450	
Dinner Dance surplus	830	
Equipment hire receipts	1,750	
		40,830
Expenditure		
Premises costs	10,990	
Equipment costs	5,590	
Secretary's expenses	470	
Bank charges	125	(17,175)
Surplus for the year		23,655

The income and expenditure account has been prepared after taking into account the following items at 30 April 2015:

cafe inventories	Rs. 1,400
payables for cafe supplies	Rs. 1,320
rates and insurances prepaid	Rs. 2,280

The following items have not been taken into account:

- the equipment costs figure includes Rs. 4,000 for the purchase of equipment
- depreciation is to be provided as follows:
 - at 2% on premises
 - at 10% on furniture
 - at 20% on equipment
- joining fees are to be spread over a five-year period
- the annual subscriptions figure includes Rs. 960 paid in advance
- subscriptions outstanding at the end of the year, and expected to be collected, amount to Rs. 300.
- The bank balance at 30 April 2015 was Rs. 21,295.

Required:

- (a) Calculate the correct surplus for the year.
- (b) Prepare the statement of financial position at 30 April 2015.

(ICAP Example 10)

ICAP QUESTION BANK SOLUTIONS**Answer-1**

Income and expenditure account		Rs.000
Income:		
Subscriptions (W1)		30,800
Donations		500
Rent of hall		5,600
Sales of brochure		1,740
Sales of dance tickets		3,400
Net income from coffee bar (W4)		7,315
		<u>49,355</u>
Less expenses		
Repairs and Maintenance		3,218
Salaries and Wages (W2)		6,865
Gifts and Donations		600
Dance expenses		950
Sundry expenses		10,000
Depreciation of fixtures and fittings		1,900
		<u>(23,533)</u>
Net surplus		<u>25,822</u>
Statement of financial position as at 30 April 2018		Rs.000
Non-current assets		
Land		51,600
Fixtures and Fittings		16,340
Depreciation		<u>(1,900)</u>
		66,040
Current Assets:		
Inventory of drinks		14,210
Subscriptions unpaid		1,900
Cash and Bank Balance		12,414
		<u>94,564</u>
Financed By:		
Accumulated Fund (W5)		68,186
Surplus of income over expenditure		25,822
		<u>94,008</u>
Current Liabilities : Wages accrued		556
		<u>94,564</u>

W1		Subscriptions account	
	Rs. 000		Rs. 000
		Balance b/d	4,900
Subscriptions for the period	30,800	Bank	24,000
		Balance c/d	1,900
	<u>30,800</u>		<u>30,800</u>

W2

Salaries and wages

	Rs. 000		Rs. 000
Bank	6,309	Expenditure	6,865
Balance c/d	556		
	<u>6,865</u>		<u>6,865</u>

W3

Payables

	Rs. 000		Rs. 000
Bank	19,415	Balance b/d	6,780
	<u>19,415</u>	Expenditure	12,635
			<u>19,415</u>

W4

Coffee bar

Sales	10,200
Opening inventory	4,460
Purchases (W3)	12,635
Closing inventory	(14,210)
Profit (gross)	(2,885)
	<u>7,315</u>

W5

Accumulated fund at start of the year

Assets:

Fixtures and Fittings	16,340
Inventory of refreshments	4,460
Land	51,600
Cash and Bank Balances	7,466
	<u>79,866</u>

Liabilities:

Subscription received in Advance	4,900
Payables for drinks supplied	6,780
	<u>(11,680)</u>
Accumulated fund	<u>68,186</u>

Answer-2

Receipts and payments

	Rs. 000		Rs. 000
Balance b/d	9,200	Electricity	4,000
Subscription	16,000	Expenses for annual dinner	6,200
Donations	1,600	New games equipment	3,200
Sale of Tickets for annual dinner	10,800	Cleaner's wages	2,080
		Repairs and renewals	1,660
		Motor van repairs	2,520
	<u>37,600</u>	Balance c/d	17,940
			<u>37,600</u>

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

Income and expenditure account

	Rs.000
Income:	
Subscriptions	16,000
Donations	1,600
Sales of dance tickets	10,800
	<u>28,400</u>
Less expenses	
Electricity (4,000,000 + 900,000)	4,900
Annual expenses	6,200
Cleaner's wages	2,080
Repairs and renewals	1,660
Motor van repairs	2,520
Depreciation (W)	9,320
	<u>(26,680)</u>
Net surplus	<u>1,720</u>

Working: Depreciation (W)

		Rs.000
Furniture and Fittings	0.1 @ 40,000,000	4,000
Game Equipment	(20,000,000 + 3,200,000) x 0.1	2,320
Motor Van	30,000,000 @ 0.1	3,000
		<u>9,320</u>

Statement of financial position as at 30 April 2018

Non-current assets

	Cost	Accumulated depreciation	Carrying amount
	Rs.000	Rs.000	Rs.000
Furniture and Fittings	40,000	14,000	26,000
Games and Equipment	23,200	9,520	13,680
Motor Van	30,000	13,000	17,000
	<u>93,200</u>	<u>36,520</u>	<u>56,680</u>

Current Assets:

Cash and Bank Balance	Rs. 000
	<u>17,940</u>
Financed By:	<u>74,620</u>
Accumulated Fund	
Surplus of income over expenditure	72,000
	<u>1,720</u>
	<u>73,720</u>
Current Liabilities : Electricity accrual	900
	<u>74,620</u>

Answer-3

Gilton Golf Club
Income and Expenditure account
for the year ended 31, March 2016

		Rs. (000)
Incomes		
Profit from functions	(367 – 305)	62
Profit from sale of land	(W-11)	1,100
Bank interest		60
Bequest		255
Sundry income		46
Subscription		2,860
		4,383
Expenses		
Bad debts	(W-1)	15
Repairs		146
Telephone	(W-2)	63
Heat & Light	(W-10)	123
Salaries & Wages	(W-9)	2,068
Sundry expenses		104
Depreciation - Building	(W-4)	190
Depreciation - Furniture	(W-8)	103
Depreciation - Fixtures & fittings	(W-6)	47
		(2,859)
Net profit		1,524

Gilton Golf Club
Balance Sheet
as on 31, March 2016

		Rs. (000)
Fund and liabilities		
Fund		
Opening Fund	(W-12)	7,618
Surplus/(Deficit)		1,524
		9,142
Current liabilities		
Heat & Light		40
Wages		14
Telephone		10
Subscription in advance		35
		99
Total		9,241

CHAPTER-12

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

Assets

Non-Current Assets

Land	(4,000 - 500)		3,500
Buildings	(W-3)	3,800	
Less: Accumulated depreciation	(W-4)	(1,050)	2,750
Fixtures Fittings	(W-5)	470	
Less: Accumulated depreciation	(W-6)	(129)	341
Furnitures	(W-7)	515	
Less: Accumulated depreciation	(W-8)	(267)	248
			6,839
Current Assets			
Bank			2,402
Total			9,241

(WORKINGS)

(W-1)

Dr.	Subscription account		Cr.
Op. receivable	80	Op. advance	30
I and E (bal.)	2,860	Cash and bank	2,930
Cl. Advance	35	Bad debts (80 – 65)	15

(W-2)

Dr.	Telephone		Cr.
		Op. payable	14
Cash and bank	37	I and E (bal.)	63
Cl. Payable	10		15

(W-3)

Dr.	Building account		Cr.
B/d	3,200		
Additions	600		
		c/d. (bal.)	3,800

(W-4)

Dr.	Accumulated depreciation-building		Cr.
		B/d	860
c/d. (bal.)	1,050	Dep. Exp (3,800 × 5%)	190

(W-5)

Dr.	Fixtures and fittings account		Cr.
B/d	470		
		c/d. (bal.)	470

(W-6)

Dr.	Accumulated depreciation-fixtures		Cr.
		B/d	82
c/d. (bal.)	129	Dep. Exp (470 × 10%)	47

(W-7)

Dr.	Furniture account		Cr.
B/d	380		
Additions	135		
		c/d. (bal.)	515

(W-8) Accumulated depreciation-furniture		Cr.
Dr.	B/d	164
	Dep. Exp (515 × 20%)	103
c/d. (bal.)	267	

(W-9) Salaries & Wages		Cr.
Dr.	Op. payable	32
Cash and bank	I and E (bal.)	2,068
Cl. Payable		
	2,066	
	14	

(W-10) Heat & Light		Cr.
Dr.	Op. payable	32
Cash and bank	I and E (bal.)	123
Cl. Payable		
	115	
	40	

(W-11) Profit from sale of land

Bank	Land	1,600,000	
	I & E (bal.)		500,000
			1,100,000

(W-12) Opening fundAssets

Land	
Buildings	(3,200 - 860)
Subscription in arrears	
Fixtures & fittings	(470 - 82)
Bank balance	
Furniture	(380 - 164)

Rs.

4,000
2,340
80
388
682
216
7,706

Liabilities

Subscription in advance	
Heat & Light	
Telephone	
Wages	

30
32
14
12
88

7,618**Answer-4**

Langton Hockey Club
Income and Expenditure account
for the year ended June 30, 2016

Incomes

Profit from tea stall	(W-1)
Profit from annual fair	(2,150 - 1,450)
Subscription	(W-3)
Profit on sale of table tennis table	(40-30)

Rs.(000)

260
700
2,100
10
3,070

Expenses

Rent	(W-4)	590
Loss on Outgoing	(300 - 370)	70
Prizes for whist evenings		90
Repairs to snooker table		35
Refreshments		240
Depreciation	(W-7)	556
		(1,581)
Net Profit		1,489

Langton Hockey Club
Balance Sheet
as on June 30, 2016

Fund and liabilitiesFund

Opening fund	(W-8)	Rs. 2,540
Surplus/(Deficit)		1,489
		4,029

Current Liabilities

Trade payables

190
190

4,219

Total

AssetsNon-Current Assets

Sports equipments	(W-7)	2,224
		2,224

Current Assets:

Bank	(W-6)	1,805
Prepaid rent	(W-4)	50
Stocks for tea stall		60
subscriptions due	(W-3)	80
		1,995
Total		4,219

WORKINGS(W-1) Profit from Tea stall

Revenue	(1040 × 100/80)	Rs. 1,300
Less: COS	(W-1.1)	(1,040)
		260

(W-1.1) Cost of sales

Op. stock		Rs. 120
Purchases	(W-2)	980
Less: Cl. Stock		(60)
		1,040

(W-2) Dr.	Payables for tea purchases	Cr.
Cash	900	b/d 110
c/d	190	Purchases (bal) 980

(W-3) Dr.		Subscription account		Cr.
I and E	(bal.)	2,100	op. advance-Family (2 × 50)	100
			Cash- Family (8 × 50)	400
			Cash- Individuals (76 × 20)	1,520
			cl. Receivable (4 × 20)	80

(W-4) Dr.		Rent Account		Cr.
b/d		40	I and E (bal.)	590
Cash		600	cl.	50

(W-5) Dr.		Cash account		Cr.
op.		0	Table tennis table	250
Contribution to outings		300	Rent	600
Annual fair takings		2,150	Tea stall purchases	900
Tea stall sales		1,300	Annual fair	1,450
Subscriptions		1,920	Outings	370
Sale of table		40	Prizes	90
			Repairs	35
			Refreshments	240
			Bank(bal.)	1,775

(W-6) Dr.		Bank account		Cr.
op.		30		
Cash		1,775	cl.	1,805

(W-7) Dr.		Sports equipment account		Cr.
op.		2,560	Disposal	30
Cash		250	Dep (2,560 - 30 + 250) × 20%	556
			cl.	2,224

(W-8) Opening fund

Assets

Sports equipment
Stocks for tea stall
Prepaid rent
Bank

Rs.

2,560

120

40

30

2,750

Liabilities

Subscription in advance
Trade payables

100

110

210

2,540

Answer-5

AB Sports And Social Club
Income and Expenditure account
for the year ended December 31, 2015

Incomes

Profit from shop & café	(W-2)	Rs.(000)
Profit from sale of sports wear	(W-4)	9,200
Net proceeds from hire of old sports wear	(3,000 – (W-6) 1,300)	2,900
Interest on deposit of account		1,700
Subscription	(W-1)	800
		10,720
		25,320

Expenses

Rent of club house		6,000
Heating oil	(W-8)	4,500
Grounds person		10,000
Loss on transfer of sports wear	(W-4.1)	1,500
Depreciation	(5,000 × 10%)	500
Bad debts	(W-1)	30
		(22,530)
Surplus		2,790

AB Sports And Social Club
Balance Sheet
as on December 31, 2015

Fund and liabilitiesFund

Opening Fund	Rs.	Rs.
Surplus/(Deficit)		23,150
		2,790
		25,940

Current Liabilities

Shop & Café		800
Sportswear		450
Heating oil	(W-7)	200
Subscription in advance		200
		1,650
Total		27,590

AssetsNon-Current Assets

Equipments for ground person		5,000
Less: Accumulated depreciation	(3,500 + 500)	(4,000)
		1,000

Current Assets:

Bank-Current account	(W-8)	1,300
Bank-Deposit account	(10,000 + 6,000)	16,000
Heating oil		700
Shop & Cafe inventory		5,000
New sportswear	(W-4)	2,000
Hire sportswear	(W-6)	1,500
Subscriptions due		90
		26,590
Total		27,590

WORKINGS

(W-1) Dr.		Subscription account		Cr.
op. receivable (230 + 10)	240	op. advance		40
I and E (bal.)	10,720	Bank		11,000
cl. advance	200	Bad debts (10 + 20)		30
		c/d		90

(W-2) Profit from Shop & Cafe

Sales		Rs.
Less: Cost of sales		20,000
Op. Inventory		
Purchases (W-2.1)		7,000
Cl. Inventory		8,800
		(5,000)
		(10,800)
Gross profit		9,200

(W-3) Dr.		Creditors - shop and café		Cr.
Bank	9,000	op.		1,000
cl.	800	Purchases (bal.)		8,800

(W-4) Profit from Sales of new sportswear

Sales		Rs.
Less: Cost of sales		5,000
Op. Inventory		
Purchases	(W-5)	3,000
Less: Shifted to old sports wear		3,100
Less: Cl. Inventory	(4,000 - 2,000)	(2,000)
		(2,000)
		(2,100)
Profit		2,900

(W-4.1) Entry for shifting of new sports wear to old one

Old sportswear	(2,000 x 25%)	500
I and E (bal.)		1,500
New sports wear		2,000

(W-5) Dr.		Payable sports-wear		Cr.
Bank	4,500	op.		300
		Purchases new SW		3,100
		(4,500 + 450 - 300) x 2/3		
cl.	450	Purchases old SW		1,550
		(4,500 + 450 - 300) x 1/3		

(W-6) Dr.		Old sportswear stock a/c		Cr.
b/d	750	I and E (.bal)		1,300
Payable SW (W-5)	1,550	c/d (1,000 + 500)		1,500
New SW shifted (W-4.1)	500			

(W-7) Dr.		Heating oil		Cr.
b/d		1,000		
Bank		4,000	1 and E (.bal)	
Cl. Payable		200	c/d	4,500
				700

(W-8) Dr.		Bank-Current account		Cr.
		Rs		Rs.
b/d		1,000	Rent & Repairs	6,000
Subscriptions		11,000	Heating oil	4,000
Shop & Café		20,000	Payable for Sportswear	4,500
Sale of sportswear		5,000	Creditor shop, cafe	9,000
Interest		800	Ground person	10,000
Hire of sportswear		3,000	Deposit account	6,000
			c/d (bal.)	1,300

Answer-6(a)

GD Sports Club
Cafe Trading Account
for the year ended March 31, 2015
 (W-8)

Sales
 Less: Cost of sales
 Op. Inventory
 Purchases
 Cl. Inventory
 Gross profit

Rs.
 10,137

840
7,295
(920)
(7,215)
<u>2,922</u>

Answer-6(b)

GD Sports Club
Income and Expenditure account
for the year ended March 31, 2015

Incomes

Profit from café
 Interest Income from building society
 Subscription

(Part-a)

(W-1)

Rs.
2,922
350
490
<u>3,762</u>

Expenses

Rentals
 Heat & light
 Repairs to snooker table
 Referees fees & expenses
 Trophies
 Refreshments for visitors
 Depreciation

(W-6)

(W-3)

1,000
269
176
675
424
235
410
(3,189)
<u>573</u>

Net Profit

Answer-6(c)

GD Sports Club
Balance Sheet
as on march 31, 2015

Fund and liabilities
Fund
Opening Fund
Surplus/(Deficit)

(W-5)

Rs.

8,726
573
9,299

Current Liabilities
Payable for café
Heal & light

(W-3)

(W-6)

470
41
511
9,810

Total

Assets

Non-Current Assets
Equipments

(W-2)

3,690
3,690

Current Assets

Cafe inventory
Building society deposit

920
5,200
6,120
9,810

WORKINGS

		Subscription account		Cr.
(W-1)	Dr.			
		490	op. advance (10 × 5)	50
			Cash (88 × 5)	440
	I and E (bal.)			100

(W-1.1) Members who paid subscription this year

Total members

Members who paid subscription in advance last year

Members who have left the club

Members who paid subscription this year

100
(10)
(2)
88

		Equipments-account		Cr.
(W-2)	Dr.			
	b/d	4,000	Depreciation 1,000 + 100 × 10%	410
	Cash(Dartboards)	100	c/d (bal.)	3,690

		Cafe payable account		Cr.
(W-3)	Dr.			
	Cash	7,455	b/d	630
	c/d	470	Purchases (bal.)	7,295

(W-4) Dr.	Cash account	Cr
b/d	-	Deposit to society a/c 250
Subscriptions (W-1)	440	Equipment (Dartboards) 100
Sales (W-8)	10,137	Heat & light 262
		Repairs 176
		Cafe purchases account 7,455
		Rentals 1,000
		Fees & expenses 675
		Trophies 424
		Refreshments 235
		c/d -

(W-5) Opening accumulated fund**Assets**

Equipments
Cafe inventory
Building Society account

Rs.

4,000
840
4,600
9,440

Liabilities

Payables-cafe
Payables-Heat & Light
Subscription in advance

630
34
50

(714)

8,726

(W-6) Dr.	Heat & Light	Cr.
Cash	262	b/d 34
c/d	41	P and L (bal.) 269

(W-7) Dr.	Building Society Deposit account	Cr.
b/d	4,600	
Cash	250	
Interest Income	350	c/d 5,200

(W-8) Sales

Cost of Sales = 7,215

C + P = S

70 + 30 = 100

C + P = S

70 + 0 = 70

			Total
Cost	6,818(bal.)		
Sales	9,740(6,818/70 × 100)	397	7,215
		397	10,137

Answer-7

HB tennis Club
Income and Expenditure account
for Six months ended on September 30, 2015

Incomes

Tournament fees
 Bank interest
 Life membership
 Profit from sale of club ties
 Subscription

(W-3.1)
 (W-1)
 (W-2)

Rs. (000)

465
 43
 210
 103
 7,050
 7,871

Expenses

Groundsmans wages
 Rent and rates
 Heating and lighting
 Postage and stationery
 court maintenance
 Depreciation of equipment
 Tournament prizes

(W-5)
 (636 - 68)
 (W-4)
 (W-6)
 ((4,080 - 50)/5 × 6/12)

4,560
 568
 727
 53
 1,000
 403
 132

(7,443)

428

Net Profit

HB tennis Club
Balance Sheet
as on September 30, 2015

Fund and liabilities**Fund**

Opening Fund
 Surplus/(Deficit)

Rs.(000)

428
 428
 3,990

Life membership fund

(W-3)

Current Liabilities

Grounds men wages
 Postage and stationery
 Subscription in advance
 Heating and lighting

(W-5)
 (W-6)
 (W-2)
 (W-4)

40
 12
 6,300
 53
 6,405

Total

Assets**Non-Current Assets**

Equipments
 Less: Accumulated depreciation

((4,080 - 50)/5 × 6/12)

4,080
 (403)

3,677

Current Assets:

Bank
 Rates paid in advance
 Stock of ties
 Subscription in arrears

(W-2)

6,148
 68
 180
 750
 7,146
 10,823

Total

WORKINGS**(W-1) Profit from sale of ties**

Revenue

Less: COS

Op. stock

Purchases

Less: Cl. Stock

(40x450/100)

Rs in '000'

373

0

450

(180)

(270)

103

Profit

(W-2) Dr.		Subscription account	Cr.
op. receivable	-	op. advance	-
I and E (bal.)	7,050	Cash and bank	12,600
cl. advance (W-2.2)	6,300	cl. receivable (W-2.1)	750
			750
(W-2.1)	Subscription receivable at the end of 6 months	(5 × 300 × 6/12)	750
(W-2.2)	Subscription advance for the next 6 months	(12,600 × 6/12)	6,300

(W-3) Dr.		Life membership account	Cr.
I and E (W-3.1)	210	b/d	-
c/d (bal.)	3,990	Cash and bank	4,200
(W-3.1)	Amount taken to I & E in these 6 months	(4,200/10 × 6/12)	210

(W-4) Dr.		Heating and Lighting	Cr.
Cash and bank	674	b/d	-
cl.	53	I and E	727

(W-5) Dr.		Grounds men wages	Cr.
op.	-	b/d	-
Cash and bank	4,520	I and E (bal.)	4,560
c/d	40	cl.	-

(W-6) Dr.		Postage and stationery	Cr.
Cash and bank	41	b/d	-
c/d	12	I and E (bal.)	53
		cl.	-

Answer-8

Monarch Sports Club
Income and Expenditure account
for the year ended June 30, 2015

Incomes

Life membership

Net income from competition

Entrance fee

Subscription

(W-2)

(7,500 - 4,300)

(W-1)

Rs.(000)

300

3,200

2,500

18,400

24,400

Expenses
Transport
Coaching fees

Repairs
Bad debts
Loss on disposal of equipments
Depreciation

Net Profit

(W-4)

(W-1)

(W-3)

(4,000 × 20%)

3,700

2,400

800

100

200

800

(8,000)

16,400**WORKINGS**

(W-1) Dr.		Subscription account	Cr.
op. receivable	200	op. advance	1,100
1 and E (bal.)	18,400	Bank	18,000
		Bad debt (200 × 1/2)	100
cl. advance	900	cl. receivable	300

(W-2) Dr.		Life membership account	Cr.
1 and K (3,000/10)	300	b/d	-
c/d (bal.)	2,700	Bank	3,000

(W-3) Dr.		Disposal account	Cr.
Equipment-NBV	1,200	Bank	1,000
		1 and E (bal.)	200

(W-4) Dr.		Coaching fees	Cr.
		b/d	150
Bank	2,100	1 and E (bal.)	2,400
c/d	450		

Answer-9

LH Sports Club
Income and Expenditure account
for the year ended April 30, 2015

Rs.
23,655

Surplus as per draft income & expenditure account

Add:

Capital expenditure wrongly included in equipment costs

Subscription receivable for current year not included in income

4,000

300

4,300

Less:

Depreciation not deducted

Premises (80,000 × 2%)

Furniture (18,000 × 10%)

Equipment (4,000 × 20%)

1,600

1,800

800

14,240

960

(19,400)8,555

Joining fee of next 4 years wrongly included
Advance subscription for the next year wrongly included

(W-1)

Correct surplus for the year

LH Sports Club
Balance Sheet
As on April 30, 2015

		Rs.
Fund and liabilities		
<u>Fund</u>		
Surplus/(Deficit)		8,555
<u>Non-Current Liabilities</u>		
Loan from member		98,000
Joining fee		14,240
		112,240
<u>Current Liabilities</u>		
Payables for cafe supplies		1,320
Subscription in advance		960
		2,280
Total		<u>123,075</u>
Assets		
<u>Non-Current Assets</u>		
Premises		80,000
Less: Accumulated depreciation	(80,000 × 2%)	(1,600)
Furnitures		18,000
Less: Accumulated depreciation	(18,000 × 10%)	(1,800)
Equipments		4,000
Less: Accumulated depreciation	(4,000 × 20%)	(800)
		97,800
<u>Current Assets:</u>		
Cafe Inventory		1,400
Subscriptions in arrears		300
Prepaid rates and insurance		2,280
Bank		21,295
Total		<u>25,275</u>
		<u>123,075</u>

WORKINGS

(W-1)	Joining fees	Rs.
	Total joining fees received (89 × 200)	17,800
	Joining fees for the current year (17,800/5)	(3,560)
	Excess joining fees included in I&E for current year	<u>14,240</u>

ICAP MULTIPLE CHOICE QUESTIONS (MCQs)

- Q.1** Which of the following is generally considered as a non-profit oriented organization?
- (a) Charitable organization (b) Corporation
(c) Audit firms (d) Insurance companies
- Q.2** Expenditures greater than incomes of a non-profit organization give rise to a:
- (a) Loss (b) Profit
(c) Surplus (d) Deficit
- Q.3** An advance receipt of subscription from a member of the non-profit organization is considered as a/an:
- (a) Expense (b) Liability
(c) Equity (d) Asset
- Q.4** Income and expenditure account is based on;
- (a) Cash accounting (b) Accrual accounting
(c) Government accounting (d) Management accounting
- Q.5** Life membership fees of not for profit concerns is?
- (a) Capital Receipts (b) Revenue Receipts
(c) Both (a) & (b) (d) None (a) & (b)
- Q.6** When cash is received for life membership, which one of the following double entries is passed?
- (a) Cash Debit and capital Credit
(b) Life membership Debit and cash Credit
(c) Investment Debit and cash Credit
(d) Cash Debit and life membership fund Credit
- Q.7** XYZ club has a bar that maintains a separate trading account for its trading activities. Which of the following is the treatment of profit or loss on bar trading activities?
- (a) Profit or loss is directly shown in the statement of financial position
(b) Profit or loss is to be presented in income and expenditure account
(c) Profit or loss is credited in income statement
(d) Profit or loss is added to accumulated fund
- Q.8** Which of the following is the accounting equation for a non-profit organization?
- (a) Asset = Capital + Liabilities
(b) Capital + Liabilities = Assets
(c) Accumulated fund + Liabilities = Assets
(d) Liabilities = Asset + Accumulated fund
- Q.9** Subscription earned but not yet received is considered as a/an:
- (a) Asset (b) Liability
(c) Income (d) Expenditure
- Q.10** A non-profit organization received Rs. 100,000 as the entrance fee of a new member. If 20% of the fee has to be capitalized, what is the amount of fee needs to be shown in the income and expenditure account?
- (a) Rs.20,000 (b) Rs.80,000
(c) Rs.90,000 (d) Rs.10,000

- Q.11** Rs.1,000,000 received as the annual membership subscription. Out of this, Rs. 200,000 is pertaining to the previous accounting period whereas Rs.100,000 is receivable at the end of the current accounting period.

Calculate the amount of subscription that will be shown in the income and expenditure account.

- (a) Rs.100,000 (b) Rs.900,000
(c) Rs.1,200,000 (d) Rs.800,000
- Q.12** Income and expenditure accounts show:
- (a) Cash available to an organization
(b) Closing capital of an organization
(c) Cash available in the bank account
(d) Surplus or deficit for the current accounting period
- Q.13** On what basis the 'receipts and payments account' is prepared?
- (a) Cash basis (b) Accrual basis
(c) Both accrual and cash basis (d) None of the two
- Q.14** Payment of Honorarium to secretary is treated as?
- (a) Capital Expenditure (b) Revenue Expenditure
(c) Cash Expenses (d) None of these
- Q.15** Income and Expenditure Account records:
- (a) Capital items (b) Revenue items
(c) A and B both (d) None of these
- Q.16** A club has 500 members. Annual membership fees are Rs.1,000. Therefore, membership fees for the year should be Rs.500,000.

The club's subscription records for the year ended 31 December 2013 show the following:

	At 31 December 2012	At 31 December 2013
Subscriptions in advance	10,000	6,000
Subscriptions in arrears	18,000	22,000

Calculate the amount of cash received during the year.

Rs. _____

- Q.17** At 31 March 2012 a cricket club had membership subscriptions in arrears amounting to Rs.48,000 and had received Rs.12,000 subscriptions in advance.
- During the year to 31 March 2013 the club received Rs.624,000 including 26 memberships for the year to 31 March 2014 at Rs.1,200 per annum in advance.
- At 31 March 2013 16 members owed subscriptions of Rs.1,200 each.
- Calculate the amount of subscription income during the year.
- Rs. _____

- Q.18** At 31 March 2012 a cricket club had membership subscriptions in arrears amounting to Rs.48,000 and had received Rs. 12,000 subscriptions in advance.
- During the year to 31 March 2013 the club received Rs. 624,000 including 26 memberships for the year to 31 March 2014 at Rs.1,200 per annum.
- At 31 March 2013 16 members owed subscriptions of Rs.1,200 each.
- Half of the members who were in arrears at the end of the previous period still had not paid by 31 March 2013. It was decided to write these amounts off.

Required:

Calculate the amount of subscription income during the year.

Rs. _____

- Q.19** Seaview Club started its operations on 1 February 2015. Total subscription received for the period ended 31 December 2015 was Rs. 29,952,000
Annual subscription is Rs. 24,000. All new members pay three years' subscription in advance. The memberships were awarded as follows:

Month	March	June	September	December
No. of member	112	98	101	105

What amount of subscription income should be included in income and expenditure account for the period ended 31 December 2015?

Rs. _____

- Q.20** Seaview Club started its operations on 1 February 2015. Total subscription received for the period ended 31 December 2015 was Rs. 29,952,000
Annual subscription is Rs. 24,000. All new members pay three years' subscription in advance. The memberships were awarded as follows:

Month	March	June	September	December
No. of member	112	98	101	105

What amount of advance subscription should be included in non-current liabilities as at 31 December 2015?

Rs. _____

- Q.21** The main objective of a non-profit organization is;

- (a) To earn profits (b) To create monopoly
(c) Welfare of the society (d) To provide for owner's dividends

- Q.22** Non-profit organizations prepare all of the following accounts except the;

- (a) Receipt and payment account (b) Income and expenditure account
(c) Statement of financial position (d) Profit or loss account

- Q.23** Examples of non-profit organisation is:

- (a) Commercial banks (b) Civil hospital
(c) Private educational institutions (d) Association of person

- Q.24** The main source of income for non-profit organisation is:

- (a) Subscription (b) Sales
(c) Dividends (d) Other income

- Q.25** Income and expenditure accounts show;

- (a) Cash available to an organization
(b) Closing capital of an organization
(c) Cash available to the bank account
(d) Surplus or deficit for an accounting period

- Q.26** The statement of financial position of a non-profit organization does not contain the;

- (a) Owner's equity (b) Liability
(c) Asset (d) Income

- Q.27** Rent expense of a non-profit organization paid in advance. Which of the following is the correct classification of rent?

- (a) Expense (b) Liability
(c) Asset (d) Equity

- Q.28** An advance receipt of subscription from a member of the non-profit organization is considered as
 (a) Expense (b) Liability
 (c) Asset (d) Equity
- Q.29** The capital of a non-profit organization is generally known as
 (a) Equity (b) Accumulated funds
 (c) Retained earning (d) Cash fund
- Q.30** When cash is received for life membership, which one of the following double entries is passed?
 (a) Cash (debit) and capital (credit)
 (b) Life membership (debit) and cash (credit)
 (c) Cash (debit) and investment (credit)
 (d) Cash (debit) and Life membership (credit)
- Q.31** If debit side of receipt and payment account exceeds credit, it represents:
 (a) Cash at bank (b) Bank overdraft
 (c) Surplus (d) Deficit
- Q.32** Receipt and payment account include:
 (a) Revenue items (b) Capital items
 (c) Both capital and revenue items (d) None of above
- Q.33** Sale of an old newspaper is classified as:
 (a) Expense (b) Liability
 (c) Asset (d) Income
- Q.34** Gift presented to Chief Guest at annual function by a non-profit organization is:
 (a) Gift (b) Reward
 (c) Honorarium (d) Grant
- Q.35** Morning Football Club has a monthly subscription fee of Rs. 800 per member. The club has 240 members on 31 December 2018. No fresh members were admitted during 2018 but 30 members left the club on 1 July 2018. As at 31 December 2018, the club has received subscription in advance amounting to Rs. 60,000. The club's subscription income for 2018 would be:
 (a) Rs. 2,448,000 (b) Rs. 2,388,000
 (c) Rs. 2,160,000 (d) Rs. 2,100,000
- Q.36** Alpha Club's financial year ends on 31 December. Following information pertain to its members' subscription:

	Rupees
Subscription received in 2018 for 2019	180,000
Subscription received in 2019 for 2018	<u>90,000</u>
Subscription received in 2019 for 2019	1,400,000
Subscription received in 2019 for 2020	200,000
Subscription for 2018 outstanding as on 31 December 2018	<u>150,000</u>
Subscription for 2019 outstanding as on 31 December 2019	325,000
Subscription income for the year ended 31 December 2019 is:	

- (a) Rs. 1,845,000 (b) Rs. 1,705,000
 (c) Rs. 1,905,000 (d) Rs. 1,665,000

- Q.37** The 'Accounting Standard for NPOs' has been issued by:
- (a) The Institute of Chartered Accountants of Pakistan
 - (b) The Securities and Exchange Commission of Pakistan
 - (c) International Accounting Standards Board
 - (d) All Pakistan Association of NPOs
- Q.38** The primary source as basis of accounting for a large sized NPO is:
- (a) Accounting Standard for NPOs
 - (b) Accounting and Financial Reporting Standards (AFRS)
 - (c) IFRSs for SMEs issued by IASB
 - (d) IFRSs issued by IASB
- Q.39** According to ASNPO, the financial statements of an NPO use the following concept of capital maintenance:
- (a) Physical capital maintenance
 - (b) Welfare capital maintenance
 - (c) Financial capital maintenance (real terms)
 - (d) Financial capital maintenance (money terms)
- Q.40** Statement of income and expenditures is based on:
- (a) Cash accounting
 - (b) Accrual accounting
 - (c) Government accounting
 - (d) Management accounting
- Q.41** An NPO has a fund that is subject to externally imposed stipulations specifying the resources contributed be maintained permanently, although the constituent assets may change from time to time. Which type of fund it is?
- (a) Unrestricted fund
 - (b) Capital assets fund
 - (c) Restricted fund
 - (d) Endowment fund
- Q.42** Which of the following statement is incorrect with respect to restrictions on contribution revenue of an NPO?
- (a) Restrictions may be externally imposed.
 - (b) Restrictions may be internally imposed.
 - (c) Restrictions may be explicit.
 - (d) Restrictions may be implicit.
- Q.43** An NPO received endowment contributions of Rs. 2 million. How should the receipt be recognised under restricted fund method where all funds are separately reported?
- (a) Recognise as revenue in statement of income and expenditure (in endowment fund column) of the current period.
 - (b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.
 - (c) Recognise as direct increase in statement of changes in net assets (in endowment fund column) of the current period.

- (d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.44 An NPO received endowment contributions of Rs. 2 million. How should the receipt be recognised under deferral method?

- (a) Recognise as revenue in statement of income and expenditure (in endowment fund column) of the current period.
- (b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.
- (c) Recognise as direct increase in statement of changes in net assets (in endowment fund column) of the current period.
- (d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.45 An NPO received restricted contributions for expenses of current period (the corresponding restricted fund is presented separately) of Rs. 2 million. How should the receipt be recognised under restricted fund method?

- (a) Recognise as revenue in statement of income and expenditure (in restricted fund column) of the current period.
- (b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.
- (c) Recognise as direct increase in statement of changes in net assets (in restricted fund column) of the current period.
- (d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.46 An NPO received restricted contributions for expenses of current period (the corresponding restricted fund is not presented separately) of Rs. 2 million. How should the receipt be recognised under restricted fund method?

- (a) Recognise as revenue in statement of income and expenditure (in restricted fund column) of the current period.
- (b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.
- (c) Recognise as direct increase in statement of changes in net assets (in restricted fund column) of the current period.
- (d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.47 An NPO received restricted contributions for expenses of current period (corresponding restricted fund is separately reported in financial statements) of Rs. 2 million. How should the receipt be recognised under deferral method?

- (a) Recognise as revenue in statement of income and expenditure (in restricted fund column) of the current period.
- (b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.
- (c) Recognise as direct increase in statement of changes in net assets (in restricted fund column) of the current period.
- (d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

- Q.48 An NPO uses restrictive fund method to report its contributions revenue. The fund balance (or deferred balance) related to shall not be presented in net assets in the statement of financial position.
- (a) Endowment contributions
 - (b) Restricted contributions reported in restricted fund
 - (c) Restricted contributions reported in general fund
 - (d) Unrestricted contributions reported in general fund
- Q.49 An NPO received restricted contribution for the repayment of debt. The related debt was incurred for the payment of expenses expected to be incurred in next three years. How should the receipt be recognised under deferral method?
- (a) Recognise as revenue in statement of income and expenditures of the current period
 - (b) Defer and recognise as revenue in relevant period applying the matching concept
 - (c) Recognise as direct increase in net assets in the statement of changes in net assets
 - (d) Recognise as deduction from related capital asset or related expenses
- Q.50 An NPO received restricted contribution for the repayment of debt. The related debt was taken to fund purchase of school's furniture. How should the receipt be recognised under deferral method?
- (a) Recognise as revenue in statement of income and expenditures of the current period
 - (b) Defer and recognise as revenue in relevant period applying the matching concept
 - (c) Recognise as direct increase in net assets in the statement of changes in net assets
 - (d) Recognise as deduction from related capital asset or related expenses
- Q.51 An NPO received restricted contribution for the repayment of debt. The related debt was taken to fund purchase of freehold land for construction of a school. How should the receipt be recognised under deferral method?
- (a) Recognise as revenue in statement of income and expenditures of the current period
 - (b) Defer and recognise as revenue in relevant period applying the matching concept
 - (c) Recognise as direct increase in net assets in the statement of changes in net assets
 - (d) Recognise as deduction from related capital asset or related expenses
- Q.52 An NPO received restricted contribution for the repayment of debt. The related debt was taken neither to fund expenses of future periods nor to fund purchase of any capital assets. How should the receipt be recognised under deferral method?
- (a) Recognise as revenue in statement of income and expenditures of the current period
 - (b) Defer and recognise as revenue in relevant period applying the matching concept
 - (c) Recognise as direct increase in net assets in the statement of changes in net assets
 - (d) Recognise as deduction from related capital asset or related expenses
- Q.53 An NPO earned investment income that is externally restricted to be held for endowment. How should it be recognised under deferral method?
- (a) Recognise as revenue in statement of income and expenditures of the current period
 - (b) Defer and recognise as revenue in relevant period applying the matching concept
 - (c) Recognise as direct increase in net assets in the statement of changes in net assets
 - (d) Recognise as deduction from related capital asset or related expenses

- Q.54** An NPO earned investment income that is externally restricted to be accumulated for purchase of freehold land. How should it be recognised under deferral method?
- Recognise as revenue in statement of income and expenditures of the current period
 - Defer and recognise as revenue in relevant period applying the matching concept
 - Recognise as direct increase in net assets in the statement of changes in net assets
 - Recognise as deduction from related capital asset or related expenses
- Q.55** An NPO has of 16,000 bags of rice to be sold only to members of an underprivileged community. The cost of rice to the NPO is Rs. 600 per bag. However, the NPO sells one bag to the underprivileged persons for Rs. 50 only. How should these 16,000 bags be measured?
- At cost
 - At lower of cost and NRV
 - At lower of current replacement cost and NRV
 - At lower of cost and current replacement cost
- Q.56** An NPO had capital asset of furniture at carrying value of Rs. 800,000 and related unamortised deferred contribution balance of Rs. 480,000 in statement of financial position. At that date, the furniture was destroyed by fire completely and is now worth nothing. Which of the following is correct treatment?
- Write down the furniture by Rs. 480,000 against deferred contribution.
 - Write down the furniture by Rs. 800,000 and recognise revenue of Rs. 480,000 related to deferred contribution provided that all restrictions have been complied with.
 - Write down the furniture by Rs. 800,000 and transfer Rs. 480,000 related to deferred contribution, directly in net assets provided that all restrictions have been complied with.
 - Both (b) and (c) are acceptable accounting treatments.
- Q.57** Morning Football Club has a monthly subscription fee of Rs.800 per member. The club has 240 members on 31 December 2018. No fresh members were admitted during 2018 but 30 members left the club on 1 July 2018. As at 31 December 2018, the club has received subscription in advance amounting to Rs.60,000. The club's subscription income for 2018 would be:
- Rs.2,448,000
 - Rs.2,388,000
 - Rs.2,160,000
 - Rs.2,100,000
- [Autumn 2019] (02)
- Q.58** Alpha Club's financial year ends on 31 December. Following information pertain to its members' subscription:

	Rupees
Subscription received in 2018 for 2019	180,000
Subscription received in 2019 for 2018	90,000
Subscription received in 2019 for 2019	1,400,000
Subscription received in 2019 for 2020	200,000
Subscription for 2018 outstanding as on 31 December 2018	150,000
Subscription for 2019 outstanding as on 31 December 2019	325,000

Subscription income for the year ended 31 December 2019 is:

- Rs.1,845,000
 - Rs.1,705,000
 - Rs.1,905,000
 - Rs.1,665,000
- [Autumn 2020] (02)

ICAP MULTIPLE CHOICE QUESTIONS (MCQ) SOLUTIONS

- A.1 (a)
 A.2 (d)
 A.3 (b)
 A.4 (b)
 A.5 (a)
 A.6 (d)
 A.7 (b)
 A.8 (c)
 A.9 (a)
 A.10 (b)
 A.11 (b)

Subscription a/c

	Rs.		Rs.
b/d	200,000	Cash received	1,000,000
I & E	900,000	c/d	100,000
	<u>1,100,000</u>		<u>1,100,000</u>

- A.12 (d)
 A.13 (a)
 A.14 (b)
 A.15 (b)
 A.16 Rs. 492,000

Subscriptions

	Rs.		Rs.
Balance b/d	18,000	Balance b/d	10,000
I&E	500,000	Cash	492,000
Balance c/d	6,000	Balance c/d	22,000
	<u>524,000</u>		<u>524,000</u>

- A.17 Rs. 576,000

Subscriptions

	Rs.		Rs.
Balance b/d	48,000	Balance b/d	12,000
I&E	576,000	Cash	624,000
Balance c/d [26 × Rs. 1,200]	31,200	Balance c/d [16 × Rs. 1,200]	19,200
	<u>655,200</u>		<u>655,200</u>

- A.18 Rs.600,000

Subscriptions

	Rs.		Rs.
Balance b/d	48,000	Balance b/d	12,000
I&E	600,000	Cash	624,000
		Bad debts [48,000 × ½]	24,000
Balance c/d [26 × Rs. 1,200]	31,200	Balance c/d [16 × Rs. 1,200]	19,200
	<u>679,200</u>		<u>679,200</u>

A.19 Rs.4,630,000

Subscription for 3 years is Rs.72,000 so subscription for 1 year is Rs.24,000 or Rs. 2,000 per month

Receipt / Members	Number of members	×	Subscriptions for the period	Total
Mar / Dec	112	×	24,000 × 10/12	2,240,000
Jun / Dec	98	×	24,000 × 7/12	1,372,000
Sep / Dec	101	×	24,000 × 4/12	808,000
Dec	105	×	24,000 × 1/12	210,000
Total subscription income for 3 years				4,630,000

A.20 Rs.15,338,000

Subscription for 3 years is Rs.72,000 so subscription for 1 year is Rs.24,000 or Rs.2,000 per month

Number Members	I&E Months	Current Months	Non-current Months
Mar / 112	10	12	14 (36 – 10 – 12)
Jun / 98	7	12	17 (36 – 7 – 12)
Sep / 101	4	12	20 (36 – 4 – 12)
Dec / 105	1	12	23 (36 – 1 – 12)

Non Current Position			
Number of members	×	Subscriptions for the period	Total
112	×	24,000 × 14/12	3,136,000
98	×	24,000 × 17/12	3,332,000
101	×	24,000 × 20/12	4,040,000
105	×	24,000 × 23/12	4,830,000
Total subscription received to 3 years			15,338,000

A.21 (c)

A.22 (d)

A.23 (b)

A.24 (a)

A.25 (d)

A.26 (a)

A.27 (c)

A.28 (b)

A.29 (b)

A.30 (d)

A.31 (a)

A.32 (c)

A.33 (d)

A.34 (c)

A.35 (a) Rs. 2,448,000

- A.36 (c) Rs. 1,905,000
- A.37 (a) ASNPO has been issued by ICAP.
- A.38 (d) A large sized NPO is required to apply IFRSs issued by IASB as applicable in Pakistan
- A.39 (d) Financial statements of an NPO are prepared with capital maintenance measured in financial terms and with no adjustment being made for the effect on capital of a change in the general purchasing power of the currency during the period.
- A.40 (b) The statement of income and expenditures is based on accrual accounting.
- A.41 (d) Such stipulations relate to endowment contribution and related fund would be endowment fund
- A.42 (b) Restrictions (explicit or implicit) on contributions may only be externally imposed
- A.43 (a)
- A.44 (c)
- A.45 (a)
- A.46 (b)
- A.47 (c)
- A.48 (c)
- A.49 (b)
- A.50 (b)
- A.51 (c)
- A.52 (a)
- A.53 (c)
- A.54 (c)
- A.55 (d)
- A.56 (b)
- A.57 (a) Rs. 2,448,000
- | | |
|--|-----------|
| 1 st six months $270 \times \text{Rs.}800 \times 6 \text{ month} =$ | 1,296,000 |
| 2 nd six months $240 \times \text{Rs.}800 \times 6 \text{ month} =$ | 1,152,000 |
| Total income | 2,448,000 |
- A.58 Option c: Rs. 1,905,000

LECTURE NOTES (ONLY FOR STUDENTS ATTENDING MY CLASSES)**IAS-33 (EPS)****Question 1:**

Discussion of preference shares concept (redeemable / Irredeemable) along-with calculation of basic EPS using following simple class example:

SOCI (Extracts) (FYE 31.12.15)	Rs.	SOCIE (FYE 31.12.15)	S/C	R/E	Irredeem. Pref.S/C	SOFP (Extracts) (As on 31.12.15)	Rs.
Finance cost		Opening balance	5,000	2,410	3,000	Equity	
Interest on LTL (1,200 x 10%)	(120)	PAT		1,450		Ordinary S/C (Rs. 10 each)	5.0
Dividend on redeemable pref. S/C (800 x 8%)	(64)	Pref. dividend - Irredeemable (3,000 x 12)		(360)		Retained earnings	2.5
PBT (assume)	1,500	Ordinary dividend (5,000 x 20%)		(1,000)		12% Irredeemable preference S/C (Rs. 10 each)	3.0
Tax (assume)	(50)	Closing balance	5,000	2,500	3,000	Non-current liabilities	
PAT	1,450					10% bank loan	1.2
						8% Redeemable preference S/C	.80

Question 2:

- A company has 5,000 shares in issue on 31 December 2010.
- It further issued 5,000 shares on 1 April 2011.
- Profit for the year 2010 is 50,000 and 2011 is 87,000.

Required: Calculate EPS for 2010 and 2011 assuming year end is 31st December.

Question 3:

A company has 3,000 shares in issue on 1 January 2013. It has further issued shares on market value on following dates:

1 March 2013: 12,000 shares; and

1 June 2013: 15,000 shares

Profit for the year 2013 is Rs.70,000

Required: Calculate EPS for the year ended 31 December 2013.

Question 4:

A company made following share transactions during the year:

- Issued 2 **bonus shares** for every 5 held; than
- There was a **share split** whereby every 3 shares became 5; than
- There was a **share consolidation** whereby every 4 shares became 1.

Required: Analysis of the above transactions.

Question 5:

A company had 12,000 opening number of shares on 1.1.15. Company made following share transactions during the year ended 31.12.15:

1. February.15: 3 bonus shares for every 4 held were issued;
2. 1. April.15: Share split whereby every 2 shares became 7;
3. 1. September.15: Share consolidation whereby every 5 shares became 4.

Required: Calculate weighted average number of shares for the year ended 31.12.15.

Question 6:

Continuing from question 5 assume following are the profits for the current and previous year:

2014	72,000
2015	72,000

Required:

- Calculate EPS for 2014;
- Calculate EPS for 2015 along-with comparatives.

Solution question 6:

$$\begin{aligned}
 \text{a) EPS (2014)} &= \frac{72,000}{12,000} = \text{Rs. 6 per share} \\
 \text{b) EPS (2015)} &= \frac{72,000}{58,800} = \text{Rs. 1.22 per share} \\
 \text{c) EPS (2014) - Restated} &= \text{Rs. 6} \times \frac{5}{4} \times \frac{2}{7} \times \frac{4}{7} = \text{Rs. 1.22 per share} \\
 \text{Or} \\
 \text{c) EPS (2014) - Restated} &= \frac{72,000}{12,000 \times \frac{4}{5} \times \frac{7}{2} \times \frac{7}{4}} = \text{Rs. 1.22 per share}
 \end{aligned}$$

Important notes for students:

Note - 1:

Bonus issue, split issue and consolidation issue do not boost earnings, so we assume for EPS that these all are in issue since inception of business.

Note - 2:

In comparative price share issue, comparatives are not restated.

Note - 3:

In bonus, split, consolidation and right issue comparatives are always restated.

Question 7:

X Co. has a financial year ending 31 December. On 1 January 2015, there were 8,000 shares in issue. X Co. made following share transactions during the year:

- On 30 April 2015, issued 8,000 new shares for Rs. 70 at market price;
- On 3 July 2015, announced bonus issue to existing shareholders of 3 shares for every 7 shares held. The entitlement date of bonus shares was 31 July 2015;
- On 30 September 2015, consolidated its shares such that every 9 shares were consolidated into 8 shares.

Total earnings in the year ended 31 December 2015 were 150,000;

Total earnings in the year ended 31 December 2014 were 90,000.

Required:

- Calculate basic earnings per share for the year ended 31 December 2014;
- Calculate basic earnings per share for the year ended 31 December 2015 along with comparatives.

Diluted EPS and convertible debentures / bonds / TFCs / loan notes / redeemable preference shares:

Question 8:

PBT	800,000
Tax rate	30%
Wt. avg. Ord. shared	50,000 shares

Company has 9% convertible debentures of Rs. 2 million. Investors have option to receive cash or receive 10 shares per Rs. 1,000 of debentures.

Required:

Calculate basic and diluted EPS.

Question 9:

A company has an issue ordinary share capital of Rs.100 million (Rs.10 Each) Rs.20 million (Rs.100 Each) 6% convertible bonds at start of the year. These bonds are convertible every Rs.100 bond at

any time till 31st Dec 2021. Tax rate is 30%. On 1st Apr 2020 50% of these bonds were converted into ordinary shares. Net profit after tax for the year ended 31st Dec 2020 amounted Rs.25.5 million.

Required:

Calculate basic EPS and diluted EPS.

Question 10:

	Rs.
Profit from continuing operations	16,400,000
Dividends on preference shares	(6,400,000)
Profit from continuing operations attributable to ordinary shareholders	10,000,000
Loss from discontinued operations attributable to the parent	(4,000,000)
Profit attributable to ordinary shareholders of parent	6,000,000

Ordinary shares outstanding during the year 2,000,000

Average market price of ordinary share during the year Rs. 75

Potential ordinary shares:

Options 100,000 with exercise price of Rs. 60

Convertible preference shares:

800,000 shares with a par value of Rs. 100 entitled to a cumulative dividend of Rs. 8 per share. Each preference share is convertible to two ordinary shares.

5% convertible bonds

Nominal amount Rs. 100,000,000. Each Rs. 1,000 bond is convertible to 20 ordinary shares. There is no amortization of premium or discount affecting the determination of interest expense.

Tax rate 40%

Required: Calculate basic EPS and diluted EPS.



The Institute of
Chartered Accountants
of Pakistan

Certificate in Accounting and Finance Stage Examination

15 March 2022

3 hours – 100 marks

Additional reading time – 15 minutes

Financial Accounting and Reporting-I

Instructions to examinees:

- Answer all NINE questions.
- Answer in **black pen** only.
- Multiple Choice Questions must be answered in answer script only.

Section A

Q.1 Bulan Pakistan Limited (BPL) is planning to commence construction of a warehouse on 1 January 2023 and is expecting to complete it by 30 November 2023. The management wants to ascertain the borrowing costs that can be included in the cost of warehouse. Relevant details in this respect are as follows:

- Expected payments related to the construction of the warehouse will be as follows:

Description	Date of payment	Rs. in million
1 st bill of contractor	1-Feb-23	40
2 nd bill of contractor	1-Apr-23	120
3 rd bill of contractor	1-Sep-23	100
Last bill of contractor	1-Dec-23	90
		350

- The project can be financed through the following sources:

- Specific loan of Rs. 350 million at the rate of 16% per annum to be obtained on 1 January 2023. The principal will be payable in 5 equal annual instalments along with interest, from 1 January 2024.
- Withdrawals to be made from existing running finance facilities. These facilities will also be used to finance other needs of BPL. Details of these facilities are as follows:

Name of bank	Limit	Expected average balance for 2023	Interest rates
	----- Rs. in million -----		
Bank A	300	220	13.7%
Bank B	350	280	14.6%

- The surplus funds available from the loan will be invested in a saving account at 10% per annum.
- The construction work is expected to be suspended for the entire month of June 2023 due to usual monsoon rains.

Required:

Calculate the borrowing costs to be capitalised in the cost of warehouse in each of the following independent cases:

- if all the payments will be made from the specific loan only. (04)
- if all the payments will be made from running finance facilities only. (04)

Q.2 Following information pertains to Dahl Limited (DL):

Summarised statement of financial position as at 31 December 2021

	2021	2020		2021	2020
	Rs. in million			Rs. in million	
Share capital	11.0	10.0	Property, plant and equipment	18.7	10.6
Retained earnings	32.9	33.8	Working capital other than cash	24.5	17.8
Revaluation surplus	4.0	-	Cash	4.7	15.4
	47.9	43.8		47.9	43.8

Additional information:

- Final dividend was paid in respect of year 2020 amounting to Rs. 3.4 million.
- Additions to property, plant and equipment during the year amounted to Rs. 14 million.
- Tax expense for the year amounted to Rs. 2.4 million. Tax payable as at 31 December 2021 amounted to Rs. 1 million (2020: Rs. 0.2 million)

Required:

Prepare DL's statement of cash flows for the year ended 31 December 2021.

(08)

Q.3 Following is the trial balance of Mahtab Welfare Hospital (MWH) as on 31 December 2021:

	Debit	Credit
	---- Rs. in million ----	
Capital work in progress – hospital building	335	
Cash at bank	60	
Closing inventory – medicines and supplies	14	
Contributions received		281
General fund as at 1 January 2021		332
Medical equipment	320	100
Medicines and supplies used	76	
Other expenditures	19	
Payables		17
Research cost	33	
Restricted fund as at 1 January 2021		180
Salaries	53	
Total	910	910

Additional information:

- The break-up of restricted fund balance is as follows:

Fund	Description	Rs. in million
Hospital building fund	Contributions received for the construction of hospital building.	120
Research fund	As per the resolution of board of trustees, MWH is required to allocate 20% of surplus of each year to the research fund.	60

- Contributions received include Rs. 55 million received for construction of hospital.
- During the year, MWH also received construction materials having fair value of Rs. 65 million for the hospital building which has not been recorded in books.
- MWH has completed the construction of hospital building on 1 April 2021.
- Depreciation is to be charged as follows:

Hospital building	5% – straight line
Other fixed assets	10% – reducing balance

Required:

Prepare the following using deferral method:

- (a) Statement of income and expenditure for the year ended 31 December 2021 (04)
 (b) Statement of financial position as at 31 December 2021 (06)

Q.4 Both IAS 16 'Property, Plant and Equipment' and IAS 40 'Investment Property' deal with tangible non-current assets of an entity. Discuss any **four** differences between IAS 16 and IAS 40. (06)

Q.5 The trial balance of Moon Mart (MM) did not agree as at 31 December 2021 and the shortage of Rs. 215,000 on the debit side was carried to suspense account. The financial statements prepared from the trial balance showed net profit of Rs. 1,431,000.

During review, following matters were noted:

- (i) A return outward of Rs. 18,000 was posted to the debit of return inward account in general ledger.
- (ii) A sales invoice of Rs. 42,000 was posted twice in sales ledger.
- (iii) Balance of accumulated depreciation of equipment was brought forward as Rs. 641,000 instead of Rs. 461,000 on 1 January 2021.
- (iv) Following entries in cash book were not posted to general ledger:
 - Receipt of annual rent for the period ending 31 March 2022 amounting to Rs. 336,000.
 - Payment of Rs. 220,000 for equipment purchased on 1 May 2021.
 - Cash purchases of Rs. 50,000.

Additional information:

- (i) After passing all the adjustments, the remaining amount of suspense account is to be considered as loss from embezzlement.
- (ii) MM uses periodic inventory method. Control accounts are not maintained for trade receivables and payables. Equipment are depreciated at 15% using reducing balance method.

Required:

- (a) Prepare suspense account. (04)
 (b) Compute the corrected net profit. (04)

Q.6 Select the most appropriate answer(s) from the options available for each of the following Multiple Choice Questions.

- (i) A plant has a carrying amount of Rs. 3.3 million as at 31 December 2021. Its fair value is Rs. 2.4 million and costs of disposal are estimated at Rs. 0.1 million. Cash flows from the plant for the next 4 years are estimated at Rs. 0.7 million per annum. It will be disposed of at the end of the 4th year for Rs. 0.6 million. Applicable discount rate is 10% per annum.

What is the approximate impairment loss on the plant to be recognized in the financial statements for the year ended 31 December 2021?

- (a) Rs. 1 million (b) Rs. 2.6 million (02)
 (c) Rs. 0.7 million (d) Rs. 1.1 million

- (ii) The forgivable loan from government is accounted for as _____ if there is no reasonable assurance that the entity will meet the terms for forgiveness of loan.

- (a) a liability (b) an income (01)
 (c) a government assistance (d) a government grant

(iii) Which of the following statements is/are correct?

- (I) Cash flows information cannot be manipulated easily, as compared to profit or loss because it is not affected by different accounting policies.
 (II) Cash flows information can be manipulated easily, as compared to profit or loss because it is affected by different accounting estimates.

- (a) Only (I) is correct (b) Only (II) is correct
 (c) Both are correct (d) None is correct

(01)

(iv) On 1 January 2019, a company purchased an asset for Rs. 5 million against which it received the government grant of Rs. 0.5 million. The company deducted the grant from the cost of asset. It is the policy of the company to depreciate such assets using straight line method over ten years. On 1 January 2021, the government grant became repayable due to non-fulfilment of conditions. Repayment of grant will result in increasing:

- (a) carrying value by Rs. 0.5 million (b) carrying value by Rs. 0.4 million
 (c) expense by Rs. 0.4 million (d) expense by Rs. 0.5 million

(02)

(v) As per IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', presenting the whole grant as other income in the statement of comprehensive income or deducting it from a related expense, is the correct treatment of:

- (a) grant related to income
 (b) forgivable loan expected to be received in next year
 (c) government assistance in the form of free technical advice
 (d) grant related to assets

(01)

(vi) Which of the following statements is/are correct?

- (I) The Conceptual Framework is not an IFRS and nothing in the Conceptual Framework overrides any specific IFRS.
 (II) One of the purpose of Conceptual Framework is to assist IASB to develop IFRSs that are based on consistent concepts.

- (a) Only (I) is correct (b) Only (II) is correct
 (c) Both are correct (d) None is correct

(01)

(vii) Which of the following may be presented in both statement of comprehensive income and statement of cash flows?

- (a) Purchase of non-current assets (b) Issuance of shares
 (c) Repayment of loan (d) Depreciation

(01)

(viii) Which TWO of the following are internal sources of assessing whether there is an indication of impairment?

- (a) An expected decline in the asset's market value
 (b) An increase in interest rates
 (c) Evidence that the asset is damaged
 (d) Evidence that the entity's performance is worse than expected

(01)

Luck

Section B

Q.7 Qamar Limited (QL) is in the business of consumer goods. Following are the summarized financial statements of QL for 2021:

Statement of financial position as at 31 December 2021			
Assets	Rs. in million	Equity and liabilities	Rs. in million
Fixed assets	550	Share capital	600
		Retained earnings	319
		Long-term loan	350
Current assets:		Current liabilities:	
Inventory	440	Trade creditors	150
Trade debtors	350	Other payables	70
Short term investment	160	Current maturity of loan	50
Cash and bank balances	39		
	1,539		1,539

Statement of profit or loss for the year ended 31 December 2021

	Rs. in million
Sales	2,150
Cost of goods sold	(1,900)
Gross profit	250
Selling and administrative expenses	(93)
Other income	40
Finance cost	(35)
Net profit	162

Extracts from management reports submitted to the board of directors:

(i) Ratios for the year 2020:

Gross profit margin	9.5%	Net profit margin	3.9%
Interest cover	2.4 times	Inventory holding period	90.4 days
Return on non-current assets	16.8%	Debtors turnover	7.3 times
Creditor payment period	55.1 days	Acid test	0.9 times

(ii) Important financial and operating decisions taken during the year 2021:

- QL renewed a large contract with a customer. In the renewed contract, extended credit terms were given to the customer.
- A major supplier agreed to reduce the prices by 10% on the condition of cash purchases only. This reduction helped QL to avoid increase in prices of its products despite increase in prices by competitors.
- Increasing working capital demands were met by making a share issue. A part of the proceeds from the issue were also used to prepay a significant portion of the long term loan.
- QL disposed of its main warehouse in the last month of the year at a gain of Rs. 25 million. The sale proceeds are temporarily invested in a short term investment.

Required:

- Compute QL's ratios for 2021 for comparison with 2020.
- Keeping in view the financial and operating decisions extracted from management reports, provide reasons for variation in the ratios computed in (a) above.

(06)

(09)

Q.8 Chand Limited (CL) was incorporated on 1 January 2020 with an authorized share capital of Rs. 500 million comprising of 50 million shares.

(i) Details of shares issued are as follows:

- On 1 March 2020, CL issued 20 million shares at Rs. 18 each.
- On 1 October 2020, CL issued 15% bonus shares. The market price per share immediately before the announcement of bonus was Rs. 24 per share.
- On 1 September 2021, CL issued 40% right shares at a premium of Rs. 12.5 per share. The market price per share immediately before the entitlement date was Rs. 33 per share.

(ii) Following information has been extracted from CL's draft financial statements:

	2021	2020
	Draft	Audited
	--- Rs. in million ---	
Net profit	66	48
Revaluation surplus arising during the year	-	20
Transfer of incremental depreciation	4	-
Final cash dividend	-	10%

(iii) After the preparation of draft financial statements for the year ended 31 December 2021, it was discovered that installation cost of Rs. 12 million relating to a plant capitalized on 1 August 2020 was wrongly expensed out. The plant is subsequently measured using cost model and is being depreciated @ 20% per annum on reducing balance method.

Required:

- (a) Prepare CL's statement of changes in equity for the year ended 31 December 2021 along with comparative figures. *(Column for total is not required)* (09)
- (b) Compute CL's basic and diluted earnings per share to be disclosed in the statement of profit or loss for the years ended 31 December 2021 and 2020. (08)

Q.9 Following information pertains to property, plant and equipment of Tsuki Limited (TL):

	Office building	Warehouse
Acquisition:		
▪ Date of acquisition	1 July 2017	1 July 2018
▪ Cost (Rs. in million)	96	156
▪ Estimated useful life (in years)	16	12
Revalued amount:		
▪ 1 January 2019 (Rs. in million)	116	138
▪ 1 January 2021 (Rs. in million)	80	143
Revised useful life on 1 January 2020 (in years)	9	14

Additional information:

- (i) TL uses revaluation model for subsequent measurement and accounts for revaluation on net replacement value method.
- (ii) TL transfers maximum possible amount from the revaluation surplus to retained earnings on an annual basis.
- (iii) The revalued amounts were determined by Sagheer Valuers (Private) Limited, an independent valuation company.

Required:

In accordance with IFRSs, prepare a note on 'Property, plant and equipment' (including comparative information) for inclusion in TL's financial statements for the year ended 31 December 2021. *(Column for total is not required)* (18)

(THE END)



18-L Block Model Town,
Near Faisal Town Signal,
Usmani Road Lahore.



0305-5540222



0305-5541222



www.CrescentCollege.pk

STOCKIST

ISLAMABAD/RAWALPINDI

Prince Book Bank

Commercial Centre, Mukhtar
Plaza Satellite Town Rawalpindi.
Tel: 051-4843135

ISLAMABAD

Good Book Shop

1275 Chick Bazaar, Sadar, Rawalpindi
Tel: 051-5125812 / 5125830

FAISALABAD

Kitab Murkaz

Aminpur Bazar, Faisalabad
Tel: 041-2642707

ISLAMABAD

New Good Book Shop

Twin City Plaza, I-8, Murkuz, Islamabad
Tel: 051-34862470, 34862478

MULTAN

News Corner

Gulgast Colony, Multan
Tel: 061-6522850 / 6522950

KARACHI

Petiwalla Book Depot

Shop #. 8, Raja & Kausar Squar,
Behind Fresco Sweets, Burns Road,
Karachi, -74200.
Tel: 021-32638187, 32217170

MULTAN

New Books n Books

Hussain Arcade Near Punjab Bank,
Gol Bagh Gulshat, Multan.
Tel: 061-6511828 / 6223080

KARACHI

Al-Jamia Book House

Shop #.8, Momin Squire Block #.6,
Opp Habitt Store Gulshan-e-Iqbal Karachi.
Tel: 021-4960904 / 4960746



BOOK HOUSE

Sole Distributor

WAHEED BOOK HOUSE

Shop #. 1, Lodhi Arcade, 42-Ferozpur Road, near
ICMAP Building, Lahore, Pakistan. Tel: 042-37500032-37500227,
E-mail: Waheed_books@hotmail.com, Web: waheedbookhouse.com

BOOKS HOME
DELIVERY ON
JUST ONE CALL



Call: 0300-4117290

Visit: www.waheedbookhouse.com



RS.1000/-